California Regional Economies Project

ECONOMIC PROFILE: BAY AREA REGION

Prepared for the

CALIFORNIA ECONOMIC STRATEGY PANEL

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PREFACE

The California Economic Strategy Panel (Panel) continuously examines changes in the state's economic base and industry sectors to develop a statewide vision and strategic initiatives to guide public policy decisions for economic growth and competitiveness (see www.labor.ca.gov/panel/). The fifteen-member Panel is comprised of eight appointees by the Governor, two appointees each by the President pro Tempore and the Speaker and one each by the Senate and Assembly Minority Floor Leaders. The Secretary of the California Labor & Workforce Development Agency serves as the Chair.

The Panel first identified California's economy as an economy of regions in 1996. At that time, the Panel also adopted a new way of looking at industry sectors and how they function and grow as industry clusters. These new ways of looking at the economy became the basis for the analytical work completed then, and have provided a foundation for the Panel's work since that time.

The California Regional Economies Project is currently the lead research mechanism for the Panel to identify economic policy issues. The project provides the state's economic and workforce development systems with data and information about changing regional economies and labor markets. The information provides a new resource in economic and workforce development planning and investment decisions and a bridge connecting economic and workforce policies and programs at the state and regional levels.

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic base reports analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors.

This report presents an in-depth analysis of the Bay Area Region from 2001 to 2005. The statewide and eight other regional economic base reports are also available at www.labor.ca.gov/panel/. Previous economic base reports examined the 1990-2002 and the 2001-2004 periods. The earlier reports were the first economic base reports for the regional economies as they are defined today. The Panel's initial work, from 1994-1996, resulted in identification of six regions and provided regional economic base analyses; however, those regions had been significantly redefined by 1998, making comparisons to the early analyses impractical.

The source of the data used for these reports is the official employment and wage information reported by employers to the State. While a variety of other sources provide similar information, they may not capture the official numbers that employers report, or may not include input from all employers. This data source is the most comprehensive and accurate source of information direct from employers, and is therefore the best to use for public policy-making, planning and program administration.

The Panel has taken steps to institutionalize the analysis and preparation of these economic base reports within State government so that this analysis may be provided on a yearly basis. Also, steps have been taken to leverage the body of knowledge that now exists around the study of industry clusters, gained through the California Regional Economies Project.

First, a non-confidential version of the data series, the *California Regional Economies Employment Series*, has been made available online by the California Employment Development Department's Labor Market Information Division (LMID) so that regional organizations may access this data at the county level. Second, a step-by-step guide, the *Industry Clusters of Opportunity User Guide,* is available online so that regional organizations can conduct industry cluster studies and work with business and industry to test and apply the findings. With this information, regional organizations may conduct their own economic base and industry cluster analyses down to the county level, and they may combine county data to create their own sub-regional study areas. Training workshops are being held to teach the methodology and processes outlined in the *Industry Clusters of Opportunity User Guide* to representatives from Local Workforce Investment Boards, economic development organizations, the Employment Training Panel, LMID, educational institutions and programs including Community Colleges and Regional Occupational Programs, and other local jurisdictions.

The statewide and regional economic base reports, the *Industry Clusters of Opportunity User Guide* and other studies are available on the Panel's website at www.labor.ca.gov/panel/espcrep.htm.

The *California Regional Economies Employment Series* is available online at www.labormarketinfo.edd.ca.gov/cgi/databrowsing/?PageID=173.

The California Regional Economies Project is sponsored by the California Labor & Workforce Development Agency, California Employment Development Department, California Workforce Investment Board and the California Community Colleges Chancellor's Office.

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INTRODUCTION

The California Regional Economies Project provides data and information about changing regional economies and labor markets. The information provides a new resource in economic and workforce development planning and investment decisions, and a bridge connecting economic and workforce policies and programs at the state and regional levels.

In order to understand the state's economy and the changes taking place within industry sectors and industry clusters, it is important to recognize the regional nature of the economy and to analyze the economic base by region. To do this, the statewide and nine regional economic base reports analyze the patterns of employment, business establishments, wages, population, unemployment rate and other key factors.

This report presents an in-depth analysis of the Bay Area Region's economy from 2001 to 2005. The previous economic base reports examined the 1990-2002 and the 2001-2004 periods. The statewide and eight other regional economic base reports are also available at www.labor.ca.gov/panel/.

Data Sources

The Quarterly Census of Employment and Wages (QCEW) data is the source for the private industry data, which uses the North American Industry Classification System (NAICS) coding system. The Current Employment Statistics (CES) data is the source for all levels of government employment data. The CES data does not offer wage information, so the government wage information in this report was taken from the federal Bureau of Labor Statistics (BLS) QCEW non-confidential data available online. A more detailed explanation of the data sources is available in the statewide report.

Industry Clusters versus Sectors

An industry sector is a group of firms that are doing the same type of work, making the same type of products, or providing the same types of services. Examples include manufacturing, construction, retail trade and health care.

An industry cluster is a group of interdependent industry sectors characterized by competing firms and buyer-supplier relationships, as well as shared labor pools and other specialized infrastructure. They are also geographically concentrated. When identifying "industry clusters of opportunity," the Project adds additional considerations that focus on employment opportunities for regional residents.

Definition of the Economic Base Industries

Economists divide industries into two groups; export-oriented and local-serving (also referred to as population-driven). Export-oriented industries are industries that sell a large portion of their goods and services to people and businesses in markets outside of the region, creating capital (bringing capital into) the region. Local-serving industries are industries that sell their goods and services to people and businesses in markets within the region. These industries do not typically create new capital for the region, but recirculate it within the region.

In the economic base reports completed in 2004, the two principal researchers who provided the analyses did not agree on a common definition of an area's economic base. One favored the traditional approach, while the researcher analyzing the rural regions felt that there were key local-serving industries that were critical to these rural regions and should be included in the economic base.

For the economic base reports completed in 2006, we chose to include some industries in our definition of the economic base that are not traditionally included. We acknowledged that this use of the term, "economic base," conflicted with the standard definition, and that we chose to redefine it for the purpose of those reports. We promised to revisit this issue, and have done so for the current reports.

The current reports begin with an overview of the economy and all major industry sectors. Next, we provide an analysis of the economic base. In order to recognize and reconcile past researchers' differences regarding the definition of the economic base, we have chosen to use the traditional definition of economic base for this section (as found in the economic base reports produced in 2004 for the urban regions) and to then follow it with a separate section that provides an in-depth analysis of other key industries and industry clusters that are also important to the region's economy – drawing from the reasoning behind the expanded definitions of the economic base used in some of the past reports. We do this in order to incorporate the traditional approach in a meaningful way for those who prefer that approach, while recognizing the importance of seeking alternative ways to view the economy.

A detailed discussion of the definition of the economic base and the differences between the previous and current reports is available in the statewide report.

Manufacturing

Manufacturing is a cornerstone of the economy. Changes in employment within Manufacturing are closely monitored. Therefore, it is important to note that the employment counts reported for Manufacturing may be impacted by two key factors.

First, some Manufacturing firms may report all of their employment in a given location as manufacturing, while not all of the work actually being done at that location is manufacturing. (This may be true for other industries, as well.) Firms are encouraged to report employment under multiple industry codes in order to most accurately capture the type of employment; however, this is somewhat at the firm's discretion.

Second, there is a growing percentage of manufacturing jobs being filled by the Employment Services industry,* suggesting that Manufacturing firms are relying more heavily on the use of temporary workers. These workers are reported as employees of the Employment Services firm, thus affecting the count of manufacturing jobs.

* US Department of Labor, Bureau of Labor Statistics, *Career Guide to Industries: Employment Services*

THE BAY AREA REGION

The Bay Area Region includes eleven counties — Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma. This region accounts for 22% of California's jobs and 20% of its population. The region's unemployment rate in 2005 was 5.1%, below the state average of 5.4%.

From 1990 to 2003, the Bay Area Region experienced overall job growth of 11%, as reported in the first economic base report; however, job growth had already started to reverse with the recent recession of 2001, which was felt the most in this region. From 2001 to 2004, the region experienced significant job losses of 296,900 jobs. Then, in 2005, overall employment grew slightly, gaining over 22,600 jobs.

Overall, from 2001 to 2005, the region experienced net job losses of 7.5%. During this time, private industry jobs decreased by 8.7% and All Government[1] jobs reported no net change. Also during this time, the region's population did not grow (actually down 3,000 residents or -0.04%), but per capital income increased by 8.7%.

Figure 1 Characteristics of the Bay Area Region

Characteristics of the Bay Area Region

(Numbers are in thousands, except for dollar amounts)

	Bay Area	California	Bay Area as % of CA
Population (2005)	7,179	36,154	20%
Labor Force (2005)	3,706	17,696	21%
Unemployment Rate (2005)	5.1%	5.4%	94%
Private Sector Jobs (2005)	2,870	12,828	22%
Manufacturing Jobs* (2005)	360.6	1,498.7	24%
Per Capita Income (2005)	$ 49,650	$ 36,936	134%
Average Wage (2005)	$ 59,881	$ 45,686	131%

Source: Jobs, Labor Force, Unemployment Rate and Average Wage – California Employment Development Department, Labor Market Information Division; Population and Per Capita Income – U.S. Bureau of Economic Analysis
* Manufacturing Jobs reported here are traditional production jobs (NAICS 31-33).

[1] Government jobs include education, law enforcement, firefighting, defense and public services jobs for all levels of government (federal, state and local).

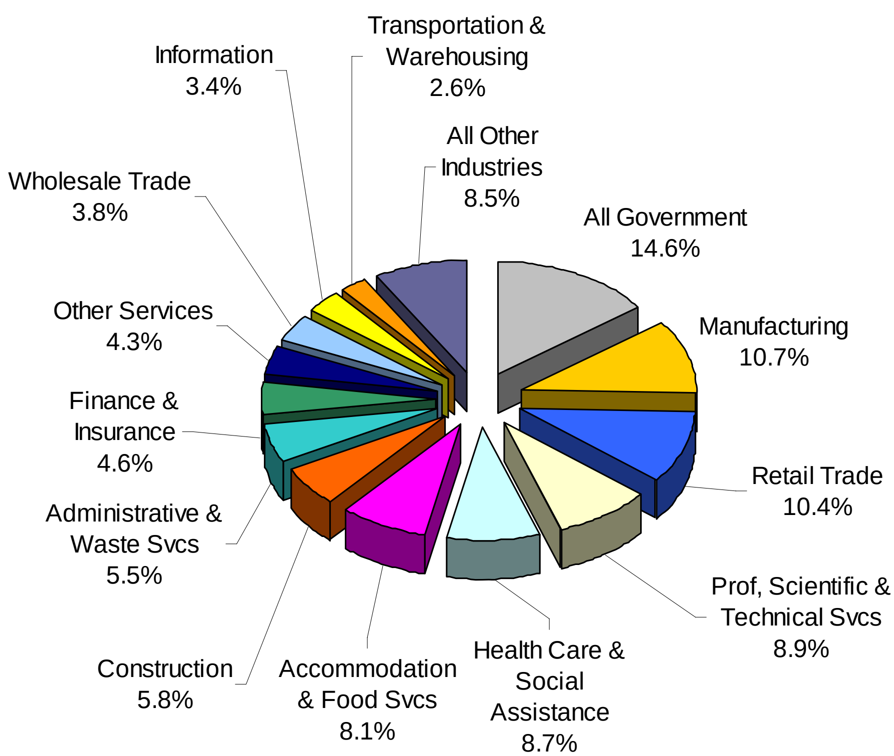
Employment Size

All Government provides the largest number of the region's jobs, with 492,400 jobs in 2005, or 14.6% of all jobs in the region. Within All Government, the largest sub-sector is Local Government Education (161,100 jobs).

The second largest sector is Manufacturing, providing 360,600 jobs, or 10.7% of all jobs in the region. The largest sub-sector by far is Computer & Electronic Product Manufacturing with 151,100 jobs, or 4.5% of all jobs in the region; however, this sub-sector experienced significant losses from 2001 to 2005 of 71,400 jobs, or 32%.

The third largest sector is Retail Trade (10.4% of all jobs in the region), followed by Professional, Scientific & Technical Services (8.9% of all jobs), Health Care & Social Assistance (8.7%), and Accommodation & Food Service (8.1%). **Figure 2** shows employment distribution across the major industry sectors.

Figure 2 Employment Distribution

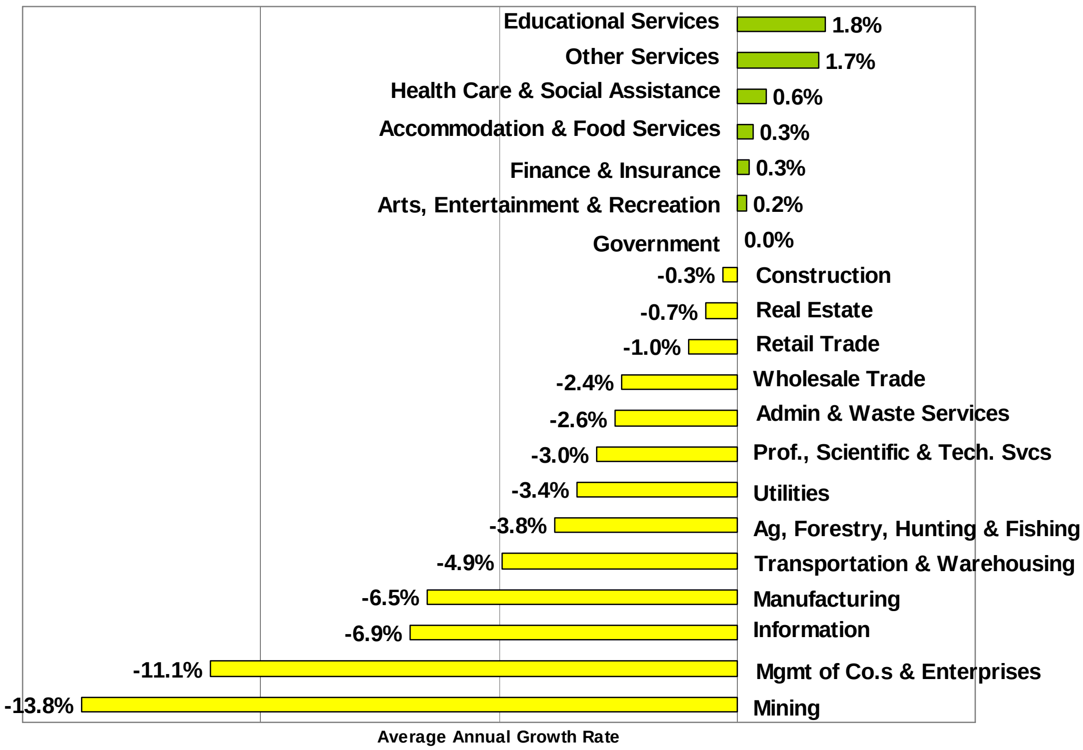


Only six of the 20 major sectors (including private and government) reported job gains from 2001 to 2005. These were Other Services (up almost 9.600 jobs); Health Care & Social Assistance (up 7,100 jobs); Educational Services (up almost 4.800 jobs); Accommodation & Food Services (up 3,700 jobs); Finance & Insurance (up almost 1,600 jobs); and, Arts, Entertainment & Recreation (up less than 500 jobs).

Growth Rate

Educational Services reported the strongest employment growth from 2001 to 2005, based on percentage of growth, at 7.6%, for an average annual growth rate (AAGR) of 1.8%. The second greatest job growth was reported by Other Services, which grew 7.1% from 2001 to 2005, for an AAGR of 1.7%. Growth for all industry sectors may be found in **Figure 3**.

Figure 3 Employment Growth 2001 - 2005



Concentration or Competitive Advantage

The concentration of jobs in an industry in a region, compared to the concentration at the state level, is another indicator of an industry's importance to the region's economy. A concentration level higher than 1.0 may indicate that the region has a competitive advantage in that industry; it may also indicate that the goods and services being produced are being consumed outside of the region.

In the Bay Area Region, at the major sector level, the Professional, Scientific & Technical Services sector reported the highest concentration in 2005, at 1.4. Later in this section, the concentration will be presented for the industry group level (3-digit NAICS code level), which will reveal higher concentrations in information technology-related industries. Other sectors with a concentration above the state level include Educational Services (1.3), Manufacturing (1.1); Finance & Insurance (1.1); Information (1.1); Management of Companies & Enterprises (1.1); and, Utilities (1.1). The concentration for the ten largest industries is displayed in **Figure 4**.

Looking at the most detailed industry classification level (six-digit NAICS), the Bay Area Region has a very strong to strong competitive advantage in many industries, including the following (listed in order of concentration level, ranging from 4.2LQ to 2.2LQ):

- Semiconductor Machinery Manufacturing
- Electron Tube Manufacturing
- Electronic Computer Manufacturing
- Telephone Apparatus Manufacturing
- Instrument Manufacturing for Measuring & Testing Electricity & Electrical Signals
- Deep Sea Freight Transportation
- Fiber Optic Cable Manufacturing
- Computer Storage Device Manufacturing
- Optical Instrument and Lens Manufacturing
- Non-chocolate Confectionery Manufacturing
- Analytical Laboratory Instrument Manufacturing
- Software Publishers
- Web Search Portals
- Wineries
- Semiconductor and Related Device Manufacturing
- Commercial Air, Rail, and Water Transportation Equipment Rental and Leasing
- Internet Service Providers
- Bare Printed Circuit Board Manufacturing
- Chocolate and Confectionery Manufacturing from Cacao Beans
- Coastal Freight Transportation
- Explosives Manufacturing
- Heavy Duty Truck Manufacturing
- Petroleum Refineries
- Software Reproducing
- Miscellaneous Intermediation
- Custom Computer Programming Services
- All Other Basic Inorganic Chemical Manufacturing
- Non-woven Fabric Mills
- Computer Systems Design Services
- Other Electronic Component Manufacturing

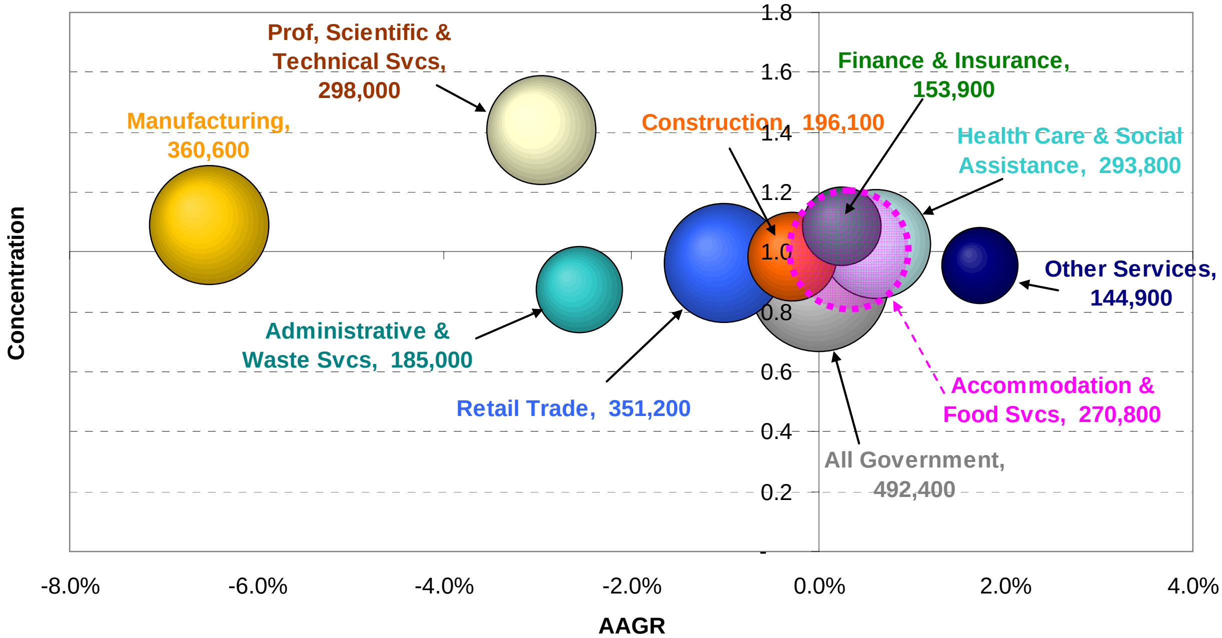
Comparing Size, Growth and Concentration

The bubble chart in **Figure 4** shows employment change from 2001 to 2005 for the region's ten largest industry sectors (based on employment size). This type of chart displays three important criteria in one chart – employment size, growth rate and concentration.

Interpreting the chart:

- The size of the bubble represents the employment size of the industry.
- The position from left to right indicates the employment change – to the left of zero means job losses, and to the right means job growth. The average annual growth rate (AAGR) is graphed as a percentage.
- The vertical position indicates the concentration of the industry in the region; the higher the bubble, the greater the concentration. A concentration greater than 1.0 means the region has a higher concentration of jobs in that industry than is found statewide. Industries highly concentrated in a region are important to the region, even if they are not the largest in employment size.

Figure 4 Size, Growth and Concentration of the Ten Largest Industries



For the ten largest industry sectors:

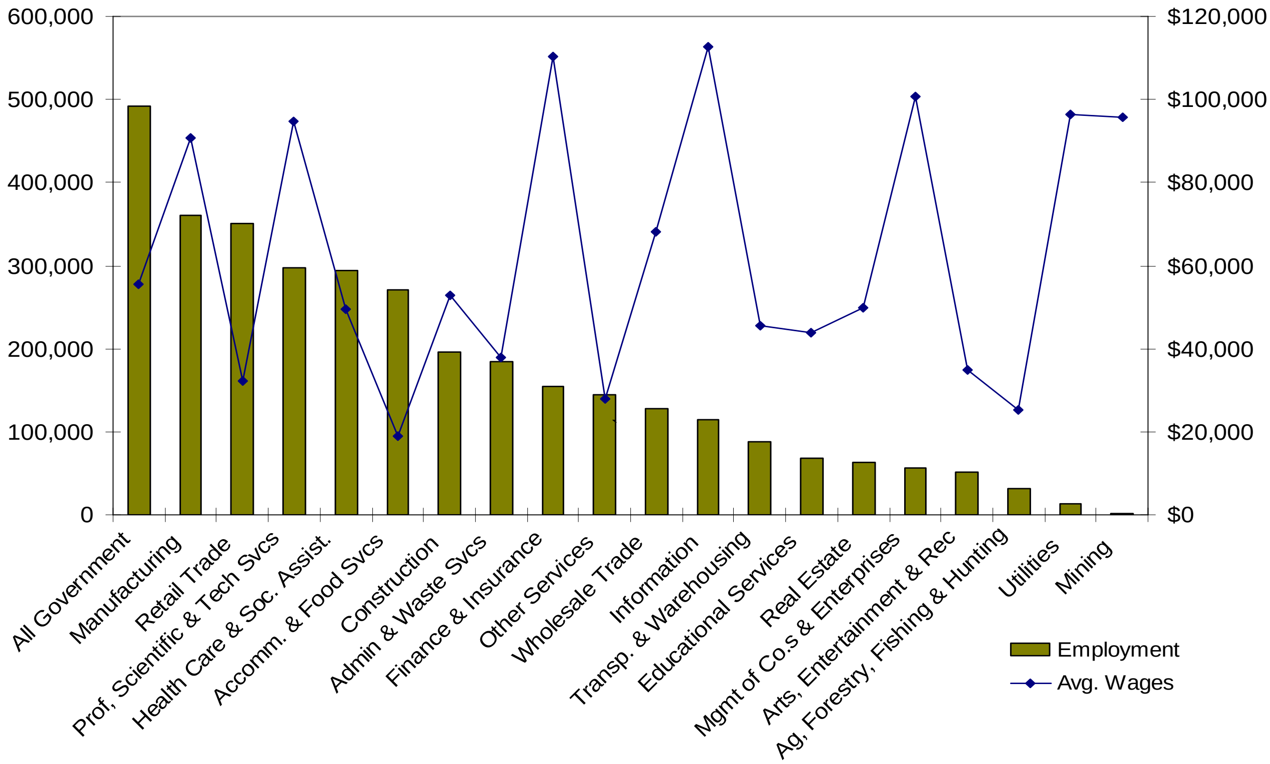
- All Government was the largest sector, followed by Manufacturing, then Retail Trade.
- Other Services reported the fastest growth rate, while Manufacturing reported the greatest losses.
- Professional, Scientific & Technical Services shows the highest concentration and is the fourth largest in employment size; but reported the second highest rate of job losses.
- Only four of the ten largest sectors reported job growth from 2001 to 2005. Listed in order of AAGR, these were Other Services, Health Care & Social Assistance, Accommodation & Food Services, and Finance & Insurance.

Average Wages

Another important factor to consider is how well an industry pays. In 2005, the average annual wage across all private industries in the Bay Area Region was $59,881, compared to the statewide average of $45,686. The Bay Area Region ranks first among the nine economic regions.

At the major sector level, the highest average annual wage of $112,789 was reported by Information, followed by Finance & Insurance ($110,423), Management of Companies & Enterprises ($100,613) and Utilities ($96,280). The lowest, $18,811, was reported by Accommodation & Food Services. The average annual wage in the government sector – the region's largest employer – was $55,446. **Figure 5** compares 2005 employment with the average annual wages reported by each industry sector.

Figure 5 2005 Employment and Average Annual Wages

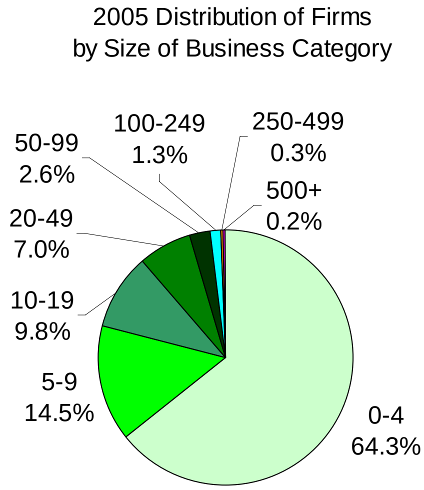


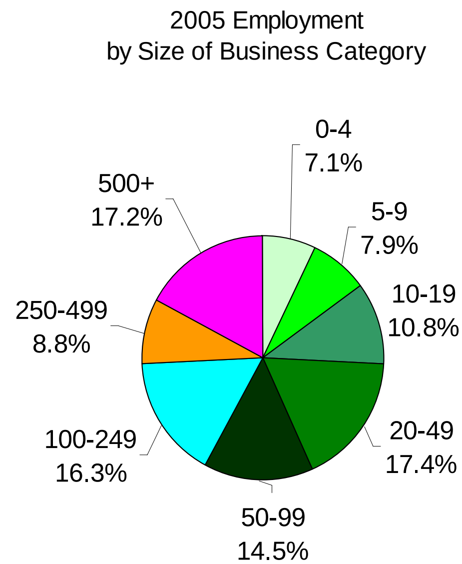
Size of Business

From 2001 to 2005, the percentage of businesses with fewer than 100 employees remained constant within the region at about 98%. Looking closer, the percentage of all firms that employ 0-4 workers increased from 61.7% in 2001 to 64.3% in 2005. The percentage of firms in each of the other size categories varied by less than 1% from 2001 to 2005.

These businesses provide about 55% of all private industry jobs in 2001, increasing to almost 58% in 2005. In contrast, only about 2% of all businesses in the Bay Area Region employ 100 or more workers, and these businesses provide just over 42% of the region's private sector jobs.

Figure 6 Distribution of Firms and Jobs by Size of Business in 2005





Businesses with fewer than 50 employees provided 43.3% of all private industry jobs in 2005. Looking at the smallest firms, those with fewer than 10 employees provided 15% of all private industry jobs. Other Services reported the highest percentage of businesses with fewer than 100 employees, at 99.9%, followed by Real Estate & Rental & Leasing, at 98.4%, and Professional, Scientific & Technical Services, at 96.3%. Management of Companies & Enterprises reported the lowest percentage, at 74.1%.

Figure 7 provides a summary of economic facts for all of the industry sectors:

Figure 7 Industry Composition in 2005

NAICS	Major Industry Sector	% of Employ-ment	Avg. Annual Growth Rate	2005 LQ*	Avg. Annual Wage	Firms with less than 100 employees	Firms with less than 50 employees
11	Ag, Forestry, Fishing & Hunting	0.9%	-3.8%	0.4	$ 25,396	97.2%	92.8%
21	Mining	0.1%	-13.8%	0.4	$ 95,603	95.2%	86.9%
22	Utilities	0.4%	-3.4%	1.1	$ 96,280	92.0%	87.2%
23	Construction	5.8%	-0.3%	1.0	$ 52,947	98.2%	95.5%
31-33	Manufacturing	10.7%	-6.5%	1.1	$ 90,699	93.5%	86.9%
42	Wholesale Trade	3.8%	-2.4%	0.9	$ 68,014	98.2%	95.5%
44-45	Retail Trade	10.4%	-1.0%	1.0	$ 32,288	97.1%	92.7%
48-49	Transportation & Warehousing	2.6%	-4.9%	1.0	$ 45,503	95.3%	89.6%
51	Information	3.4%	-6.9%	1.1	$ 112,789	94.8%	89.6%
52	Finance & Insurance	4.6%	0.3%	1.1	$ 110,423	97.8%	95.5%
53	Real Estate & Rental & Leasing	1.9%	-0.7%	1.0	$ 49,752	99.4%	98.4%
54	Prof., Scientific & Technical Svcs	8.9%	-3.0%	1.4	$ 94,617	98.4%	96.3%
55	Management of Co.s & Enterprises	1.7%	-11.1%	1.1	$ 100,613	87.9%	74.1%
56	Administrative & Waste Services	5.5%	-2.6%	0.9	$ 37,861	96.1%	91.4%
61	Educational Services	2.0%	1.8%	1.3	$ 43,796	96.9%	91.8%
62	Health Care & Social Assistance	8.7%	0.6%	1.0	$ 49,677	98.1%	95.8%
71	Arts, Entertainment, & Recreation	1.5%	0.2%	1.0	$ 34,934	96.3%	90.3%
72	Accommodation & Food Services	8.1%	0.3%	1.0	$ 18,811	98.1%	93.0%
81	Other Services	4.3%	1.7%	1.0	$ 28,061	99.9%	99.6%
	All Government	14.6%	0.0%	0.9	$ 55,446	N/A	N/A

* LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

Figure 8 shows the rankings for all major industry sectors in four important areas; employment size, growth rate, concentration and wages.

Figure 8 Rankings

NAICS	**Major Industry Sector**	**Employmt Size (2005)**	**AAGR***	**2005 LQ****	**Avg. Wage**
11	Agriculture, Forestry, Fishing & Hunting	18	15	20	19
21	Mining	20	20	19	5
22	Utilities	19	14	5	4
23	Construction	7	8	12	10
31-33	Manufacturing	2	17	6	7
42	Wholesale Trade	11	11	18	8
44-45	Retail Trade	3	10	13	17
48-49	Transportation & Warehousing	13	16	14	13
51	Information	12	18	4	1
52	Finance & Insurance	9	5	7	2
53	Real Estate & Rental and Leasing	15	9	9	11
54	Prof., Scientific, & Technical Services	4	13	1	6
55	Management of Co.s & Enterprises	16	19	3	3
56	Administrative & Waste Services	8	12	17	15
61	Educational Services	14	1	2	14
62	Health Care & Social Assistance	5	3	8	12
71	Arts, Entertainment, & Recreation	17	6	11	16
72	Accommodation & Food Services	6	4	10	20
81	Other Services	10	2	15	18
	All Government	1	7	16	9

** AAGR – Average Annual Growth Rate*

** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.*

Private Industry Sub-sectors and Industry Groups

While it is important to understand the economy at the major sector level, additional insight may be gained by looking at the sub-sector level, across all sectors. In the NAICS coding system, the three-digit level is the sub-sector level, and the four-digit level is the industry group level. The following explores the three- and four-digit levels in order to look within the major sectors to see specific sub-sectors and industry groups reporting significant employment, concentration and growth.

The ten largest sub-sectors (based on their employment size in 2005) provide over 41% of the region's jobs:

- Professional, Scientific & Technical Services (NAICS 541) provides 8.9% of the jobs;
- Food Services & Drinking Places (NAICS 722) provides 6.6% of the jobs;
- Administrative & Support Services (NAICS 561) provides 5.2% of the jobs;
- Computer & Electronic Product Manufacturing (NAICS 334) provides 4.5% of the jobs;
- Specialty Trade Contractors (NAICS 238) provides 3.6% of the jobs;
- Ambulatory Health Care Services (NAICS 621) provides 3.1% of the jobs;
- Hospitals (NAICS 622) provides 2.9% of the jobs;
- Food & Beverage Stores (NAICS 445) provides 2.2% of the jobs;
- Credit Intermediation & Related Activities (NAICS 522) provides 2.1% of the jobs; and,
- Merchant Wholesalers, Durable Goods (NAICS 423) provides 2.1% of the jobs.

The ten sub-sectors with the highest concentration[2], or greatest competitive advantage, (and representing at least 0.05% of the region's jobs in 2005) were:

- Internet Service Providers, Web Search Portals & Data Processing Services (NAICS 518) with a concentration of 2.4;
- Petroleum and Coal Products Manufacturing (NAICS 518), with a concentration of 2.4;
- Water Transportation (NAICS 483) with a concentration of 2.2;
- Computer & Electronic Product Mfg (NAICS 334) with a concentration of 2.1;
- Beverage Manufacturing (NAICS 312) with a concentration of 2.1;
- Publishing Industries (except Internet) (NAICS 511) with a concentration of 1.9;
- Air Transportation (NAICS 481) with a concentration of 1.8;
- Funds, Trusts & Other Financial Vehicles (NAICS 525) with a concentration of 1.6;
- Securities, Commodity Contracts & Other Financial Investments & Services (NAICS 523) with a concentration of 1.6; and,
- Internet Publishing & Broadcasting (NAICS 516) with a concentration of 1.6.

The top ten fastest growing sub-sectors from 2001 to 2005, and providing at least 0.05% of the region's jobs, were:

- Private Households (NAICS 814), with a 10.8% average annual growth rate (AAGR);
- Water Transportation (NAICS 483), with a 9.2% AAGR;
- Hospitals (NAICS 622), with a 5.5% AAGR;
- Broadcasting (except Internet) (NAICS 515), with a 5.4% AAGR;
- Wholesale Electronic Markets & Agents & Brokers (NAICS 425), with a 3.9% AAGR;
- Funds, Trusts, and Other Financial Vehicles (NAICS 525), with a 3.4% AAGR;
- Support Activities for Transportation (NAICS 488), with a 2.2% AAGR;
- Credit Intermediation & Related Activities (NAICS 522), with a 2.0% AAGR;
- Real Estate (NAICS 531), with a 1.9% AAGR;
- Building Material & Garden Equipment & Supplies Dealers (NAICS 444), with a 1.9% AAGR;

The top ten best-paying sub-sectors in 2005, and providing at least 0.05% of the region's jobs, were:

- Securities, Commodity Contracts & Other Financial Investments & Services (NAICS 523), with an average annual wage of $219,373;
- Internet Service Providers, Web Search Portals & Data Processing Services (NAICS 518), $183,196;
- Chemical Manufacturing (NAICS 325), $139,382;
- Funds, Trusts & Other Financial Vehicles (NAICS 525), $132,493;
- Computer & Electronic Product Manufacturing, (NAICS 334), $120,684;
- Petroleum and Coal Products Manufacturing (NAICS 324), $113,712;

[2] A concentration greater than 1.0 means the region has a higher concentration of jobs in that industry than is found statewide. Industries highly concentrated in a region are important to the region, even if they are not the largest in employment size.

- Publishing Industries (except Internet) (NAICS 511), $110,581;
- Management of Companies & Enterprises (NAICS 551), $100,613;
- Utilities (NAICS 221), $96,280;
- Water Transportation (NAICS 483), $96,084;

Looking at the four-digit NAICS level, at private sector industry groups, **Figure 9** shows facts about the top 20 fastest growing industry groups, where the industry groups provided at least 0.01% of the region's employment. Some of these industry groups are very small in employment, but may warrant watching due to the very high growth reported from 2001-2005.

Figure 9 Top 20 Fastest Growing Industry Groups

NAICS	Industry Group	2005 Empl.*	2001-2005 AAGR	2005 Avg. Annual Wage
5152	Cable & Other Subscription Programming	4,900	27.1%	$ 66,738
3117	Seafood Product Preparation & Packaging	300	23.1%	$ 27,530
5621	Waste Collection	3,300	21.1%	$ 56,095
4529	Other General Merchandise Stores	11,200	17.4%	$ 30,895
5191	Other Information Services	700	16.3%	$ 53,648
6117	Educational Support Services	3,000	16.1%	$ 40,520
4242	Drugs & Druggists' Sundries Merchant Wholesalers	3,300	15.7%	$ 56,515
3336	Engine, Turbine & Power Transmission Equipmt. Mfg	S	14.2%	$ 83,709
4881	Support Activities for Air Transportation	4,200	13.8%	$ 27,513
6214	Outpatient Care Centers	13,600	13.5%	$ 53,658
3314	Nonferrous Metal (except Aluminum) Prod. & Processing	800	11.8%	$ 44,781
8141	Private Households	43,700	10.8%	$ 17,023
4831	Deep Sea, Coastal & Great Lakes Water Transportation	1,800	10.0%	$ 98,840
4851	Urban Transit Systems	1,000	9.0%	$ 33,093
7115	Independent Artists, Writers & Performers	1,800	8.8%	$ 50,793
4871	Scenic & Sightseeing Transportation, Land	400	8.2%	$ 54,168
5259	Other Investment Pools & Funds	2,600	8.0%	$ 164,557
6216	Home Health Care Services	8,300	7.6%	$ 34,258
5612	Facilities Support Services	2,000	7.6%	$ 73,304
6116	Other Schools & Instruction	12,500	6.4%	$ 18,408

* Employment rounded to nearest 10. "S" means the data is suppressed for confidentiality.

REGIONAL SNAPSHOT 2006 & 2007

*This snapshot provides estimates of employment change since 2005, to see what effects recent events may be having on the economy, as well as any lingering effects of the 2001 recession. This analysis uses a different data source than that used for the main report, so the findings for each time period are reported separately.**

For the Bay Area Region, a look at recent preliminary data shows that the employment losses seen from 2001 to 2005 have reversed in 2006 and 2007. Overall, nonfarm employment grew by 1.9% from 2005 to 2006, and again by 1.7% into 2007. From 2001 to 2005, eight of the eleven super sectors reported job losses; however, from 2005 to 2006, only one reported losses (Information), and from 2006 to 2007, two reported losses that may be related to the downturn in housing (Construction and Financial Activities).

Of particular interest, the Manufacturing and Professional & Business Services sectors have experienced job growth since 2005, and the Information sector losses slowed in 2006, with slight but positive growth into 2007. These are sectors that include high tech-related industries, which were hard hit by the 2001 recession.

The following table summarizes employment change from 2001 to 2007. For 2001 through 2006, annual employment was compared; for 2006 to 2007, monthly employment data from July of each year was compared.

BAY AREA	2001-2005	2005-2006	July06-July07
Total Nonfarm	**-8.7%**	**1.9%**	**1.7%**
Natural Resources & Mining	-44.3%	4.5%	13.0%
Construction	-1.1%	3.6%	-1.6%
Manufacturing	-23.6%	0.4%	1.0%
Trade, Transportation, & Utilities	-7.8%	0.7%	1.3%
Information	-24.8%	-0.1%	0.6%
Financial Activities	-0.1%	0.8%	-0.1%
Professional & Business Services	-14.6%	3.9%	3.2%
Educational & Health Services	3.4%	3.2%	3.2%
Leisure & Hospitality	1.3%	3.1%	2.7%
Other Services	-4.9%	1.1%	1.5%
Government	0.0%	1.1%	2.0%

** The source for the 2006 and 2007 data is the Current Employment Statistics (CES) program. The source of the CES data differs from the primary source of data for this Economic Profile report, the Quarterly Census of Employment and Wage (QCEW) data, and information provided here may differ from the QCEW data released in the future for 2006 and 2007. Because the methodology behind the two data sources is different, the CES data is not commingled with the QCEW data in other sections of this report. This data was provided by the CES Unit at the LMID. The data used for the main report was summarized to match the definitions used in the CES data so that comparisons could be made regarding growth. For example, the CES data does not include the Private Households industry employment in the totals for the Other Services sector, as the Private Households industry only reports employment annually and data is not available for the CES monthly estimates.*

THE ECONOMIC BASE

The economic base is traditionally considered to be made up of export-oriented industries in the study area - industries that sell a large portion of their goods or services to people and businesses in markets outside of the area. While the past economic base reports have varied in how they defined the economic base, we have decided to use the more traditional definition for this section of the report. Other industries that are also important to the region will be discussed in a later section.

The following sectors make up the economic base:

High Tech Manufacturing
Diversified Manufacturing
Wholesale Trade & Transportation
Professional, Business & Information Services
Tourism & Entertainment
Federal Government (Defense & Other Federal Government)
Resource Based

The Bay Area Region's economic base industries provided 1,003,800 jobs in 2005, or 29.8% of the region's jobs. From 2001 to 2005, the economic base industries reported overall job losses of almost 218,100 jobs, down 17.8%. All seven sectors in the economic base reported job losses during this period, which included the recession of 2001 that hit hardest in the Bay Area Region. At the same time, some sub-sectors/industry groups did report job gains.

The Professional, Business & Information Services sector is the largest component of the region's economic base, reporting 444,000 jobs in 2005, although the sector reported the greatest number of jobs lost from 2001 to 2005, declining by over 100,600 jobs (-18.5%).

The second largest component of the economic base is High Tech Manufacturing, with almost 171,600 jobs in 2005. Third, Wholesale Trade & Transportation reported over 147,900 jobs. Both of these sectors reported job losses from 2001 to 2005, of -27.4% and -14.1% respectively. Tourism & Entertainment is the fourth largest component of the economic base, providing over 93,100 jobs in 2005.

Each region's economic base is unique in that the distribution of employment differs from region to region. **Figure 10** shows the distribution of jobs in 2005 and **Figure 11** shows employment from 2001 to 2005 for the Bay Area Region's economic base.

Figure 10 Economic Base Employment 2005

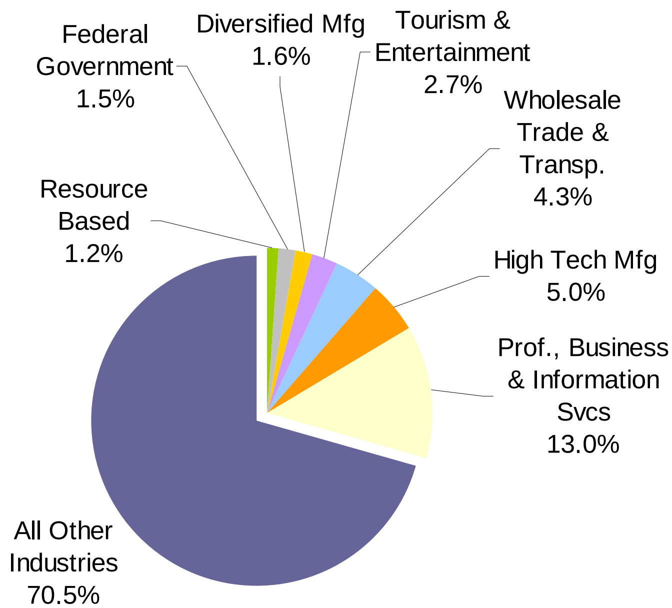
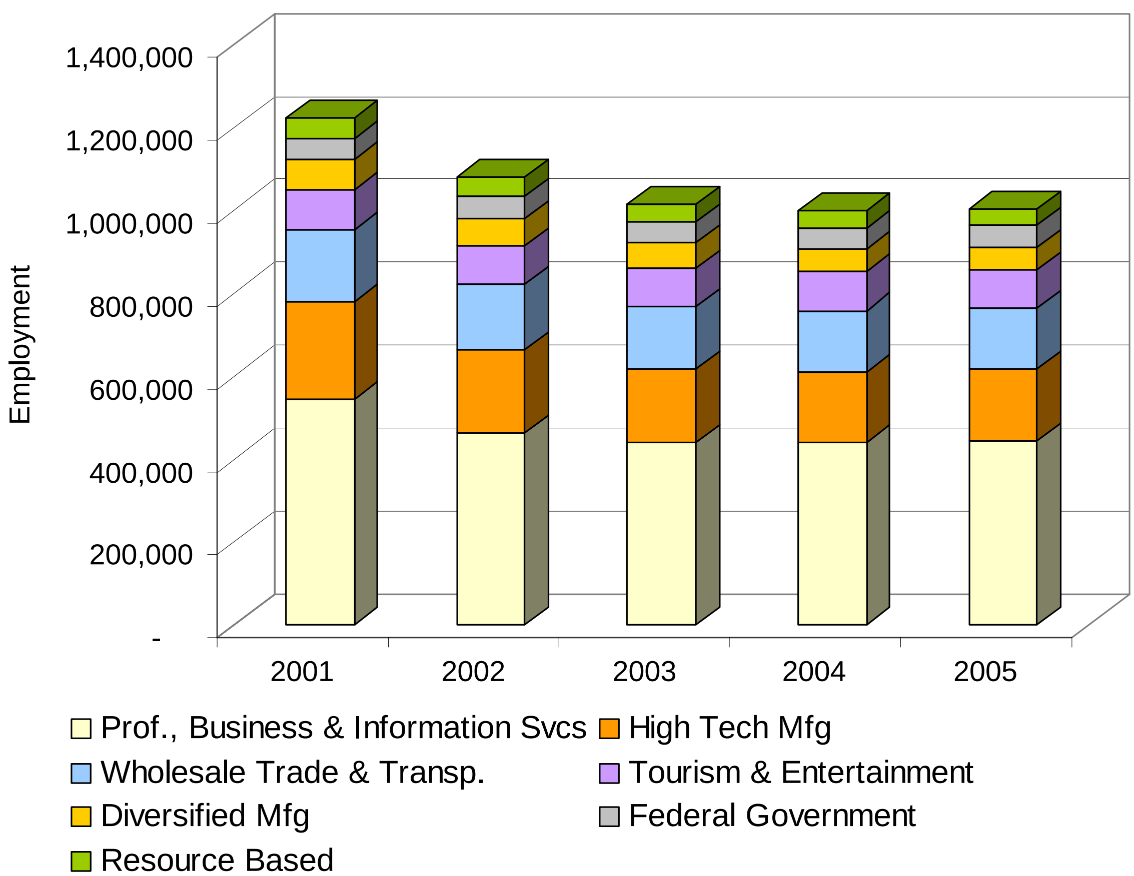


Figure 11 Economic Base Employment 2001-2005

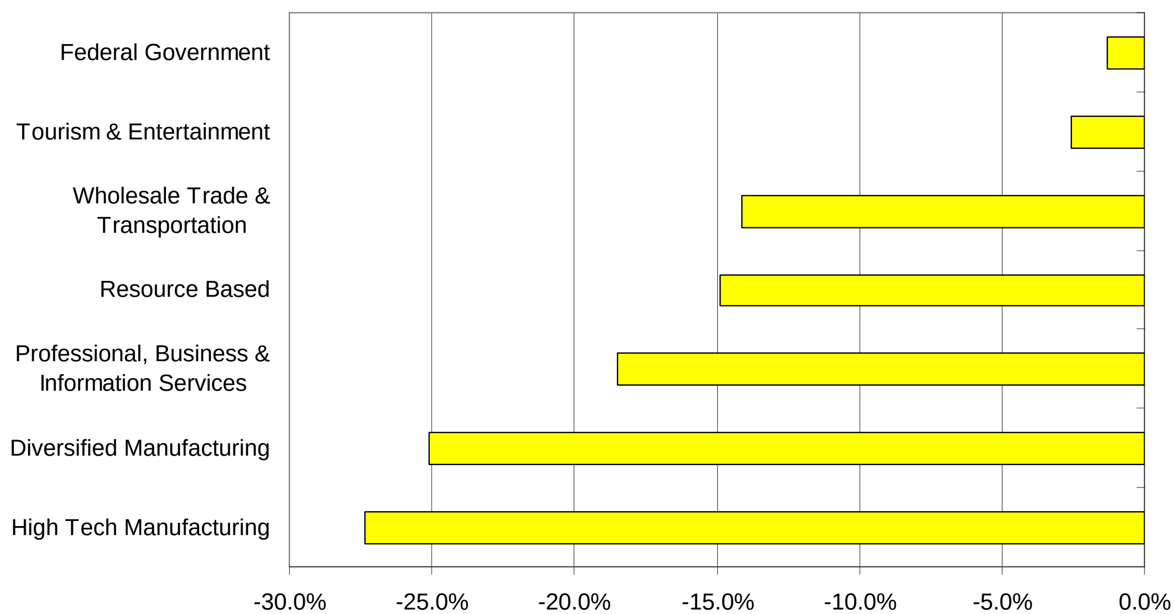


In addition to employment size, job growth is another important factor; however, for the period 2001 to 2005, the Bay Area region experienced job losses in all sectors of the economic base. Federal Government (Department of Defense and Other Federal Government) experienced the fewest jobs lost from 2001 to 2005, both in number and percentage, down 700 jobs, or -1.3%. Tourism & Entertainment reported the second lowest losses, down about 2,500 jobs, or -2.6%.

At the same time, some sub-sectors and industry groups did report gains. Looking across all sectors in the economic base, the greatest number of jobs gained was reported by the Management, Scientific, and Technical Consulting Services industry, up just over 5,000 jobs (16.5% growth) from 2001 to 2005. This was followed by the Pharmaceutical & Medicine Manufacturing industry, adding about 2,600 jobs (19.5% growth), and Wholesale Electronic Markets & Agents & Brokers, adding 2,300 jobs (16.5% growth).

Figure 12 shows job growth for each component of the economic base, from 2001 to 2005.

Figure 12 Job Growth 2001 - 2005



Size of Business

From 2001 to 2005, the percentage of economic base businesses with fewer than 100 employees changed only slightly, from 96.0% in 2001 to 96.5% in 2005. These businesses provided 42.6% of the economic base employment in 2001, and 45.5% of the base employment in 2005. In contrast, only 3.5% of the private sector businesses in the economic base employ 100 or more workers, and these businesses provide 54.5% of the economic base's private sector jobs in 2005.

Figure 13 Distribution of Firms and Jobs in the Economic Base by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	56.9%	4.4%
5-9	15.3%	5.2%
10-19	11.0%	7.6%
20-49	9.3%	14.6%
50-99	3.9%	13.7%
100-249	2.4%	18.7%
250-499	0.6%	10.9%
500+	0.4%	24.9%

Businesses with fewer than 50 employees provided 31.8% of all (private) economic base jobs in 2005; in comparison, businesses with fewer than 50 employees provide 43.3% of all private industry jobs in the region. Looking at the smallest firms, those with fewer than 10 employees provided just 9.6% of all (private) economic base jobs.

Wholesale Trade & Transportation reported the highest percentage of businesses with fewer than 100 employees, at 98.1%, followed by Professional, Business & Information Services at 97.1%. High Tech Manufacturing reported the lowest percentage, at 83.9%. The percentage of economic base firms that are businesses with fewer than 100 employees and fewer than 50 employees, by industry sector, is included in **Figure 14**.

Figure 14 provides a summary of facts for the economic base industries:

Figure 14 Economic Base

Sector	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with less than 100 employees	Firms with less than 50 employees
High Tech Manufacturing	171,561	-27.4%	1.9	$124,291	83.9%	71.9%
Diversified Manufacturing	54,209	-25.1%	0.6	$ 56,775	96.7%	92.3%
Wholesale Trade & Transportation	147,931	-14.1%	0.9	$ 66,516	98.1%	95.3%
Professional, Business & Information Svcs	444,004	-18.5%	1.3	$ 96,536	97.1%	93.8%
Tourism & Entertainment	93,118	-2.6%	0.8	$ 30,126	94.2%	87.5%
Governmt, Defense & Other Fed. Govt.	52,300	-1.3%	0.2		N/A	N/A
Resource Based	40,651	-14.9%	0.4	$ 31,362	96.4%	91.5%
Total Economic Base* **	**1,003,800**	**-17.8%**	**1.1**	$ 85,324	**96.5%**	**92.7%**

* Employment rounded to nearest 100. Total employment may not equal sum of sectors due to rounding.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.
*** The average annual wage for the total economic base was calculated using only private industry wage and employment information.

The Base Multiplier

One method for estimating the impact of the basic sector upon the local economy is the Base Multiplier. The Base Multiplier can provide insight as to how many non-basic jobs (jobs created in those industries not considered a part of the economic base) are created by one economic base job. The base multiplier is calculated by dividing the total employment by the economic base employment for a given year.

The Base Multiplier factor for the Bay Area Region for 2001 through 2005 was:

Figure 15 Base Multiplier 2001 - 2005

Year	2001	2002	2003	2004	2005
Base Multiplier	2.98	3.21	3.31	3.34	3.35

This suggests that almost 3 jobs were created in non-basic industries for every economic base job created in 2001. This has increased to about 3 1/3 jobs created in non-basic industries for every base job created in 2005.

The following provides a more in-depth look at each component of the economic base.

HIGH TECH MANUFACTURING

The High Tech Manufacturing component of the economic base includes Computer & Peripheral Equipment Manufacturing; Communications Equipment Manufacturing; Semiconductor & Other Electronic Component Manufacturing; Navigational, Measuring, Electromedical and Control Instruments Manufacturing; Aerospace Product & Parts Manufacturing; and, Pharmaceutical & Medicine Manufacturing. In 2005, this sector provided over 162,400 jobs[3].

Overall, this sector reported job losses of 27.4% from 2001 to 2005. This was led by losses in the Semiconductor & Other Electronic Component Manufacturing sub-sector, down 28,300 jobs, or 32%. Losses were also reported in Navigational, Measuring, Electromedical and Control Instruments Manufacturing, down over 13,500 jobs (-29.3%); Computer & Peripheral Equipment Manufacturing, down over 17,100 jobs (-21.2%); and, Communications Equipment Manufacturing, down 8,800 jobs (-42%). During this same period, two sub-sectors reported job growth. Pharmaceutical & Medicine Manufacturing, grew by 2,600 jobs (up 19.5%), and Aerospace Product & Parts Manufacturing grew by 6.2%.

Within High Tech Manufacturing, most of the jobs are found in Semiconductor & Other Electronic Component Manufacturing and Computer & Peripheral Equipment Manufacturing. The region has a higher concentration of jobs in High Tech Manufacturing, led by these two industries, than found at the statewide level. **Figure 18** provides the concentration for all High Tech Manufacturing industries.

In 2005, the average annual wage for this sector was $124,291. At the sub-sector level, average annual wages ranged from a high of $165,600 reported by Pharmaceutical & Medicine Manufacturing, to a low of $98,416 reported by Aerospace Product & Parts Manufacturing.

[3] Employment for Aerospace Product & Parts Manufacturing was suppressed due to confidentiality.

Figure 16 High Tech Manufacturing 2005 Employment & Average Wages

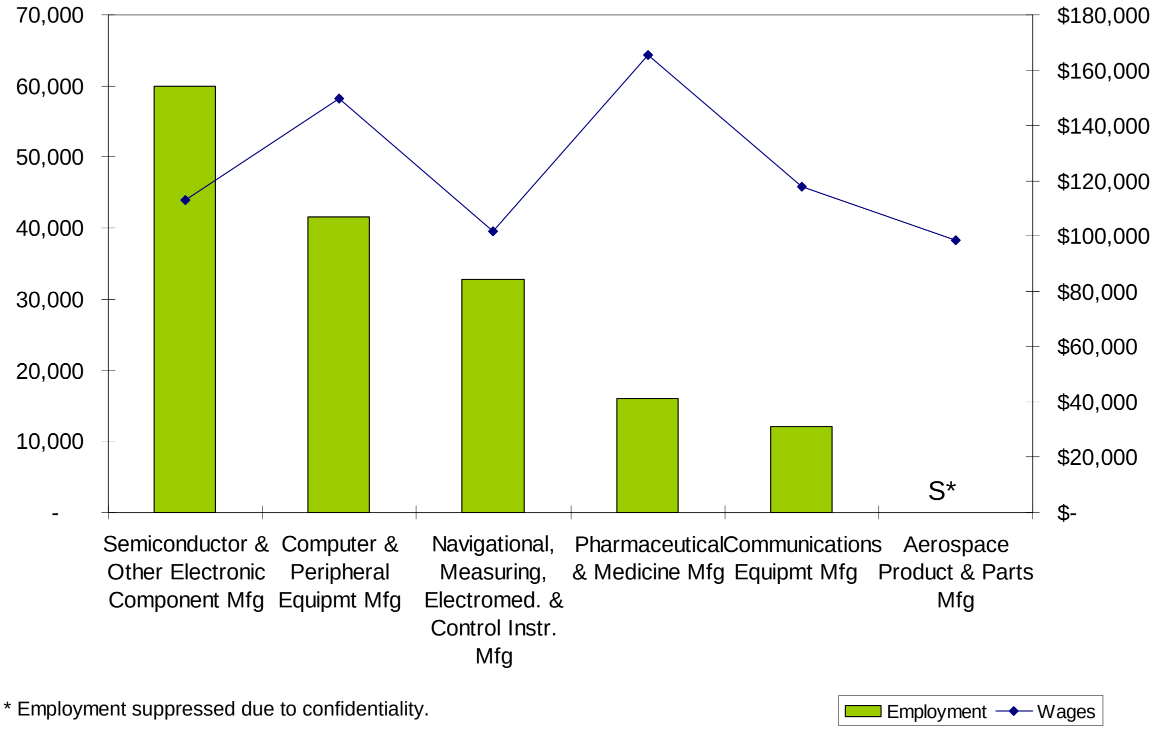


Figure 17 shows employment change from 2001 to 2005 for the industries in High Tech Manufacturing. Computer & Peripheral Equipment Mfg and Communications Equipment Mfg are not shown due to confidentiality.

Figure 17 High Tech Manufacturing Industries Employment 2001-2005

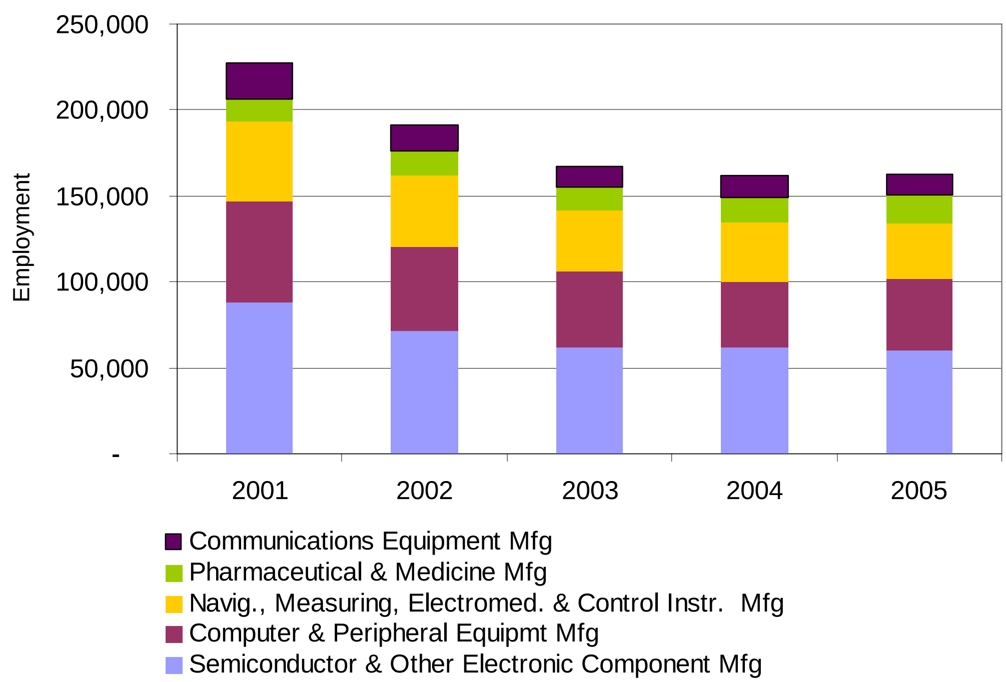


Figure 18 provides a summary of economic facts for the High Tech Manufacturing sector.

Figure 18 High Tech Manufacturing

NAICS	Industry	2005 Empl*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with less than 100 employees	Firms with less than 50 employees
3341	Computer & Peripheral Equipmt Mfg	41,500	-29.2%	3.2	$149,734	79.3%	90.0%
3342	Communications Equipment Mfg	12,100	-42.0%	2.0	$117,750	83.5%	67.1%
3344	Semiconductor & Other Electronic Component Mfg	60,000	-32.1%	2.5	$113,159	84.2%	70.9%
3345	Navigational, Measuring, Electromedical, & Control Instruments Mfg	32,700	-29.3%	1.4	$101,875	86.1%	76.5%
3364	Aerospace Product & Parts Manufacturing	S	6.2%	0.6	$ 98,416	89.2%	78.4%
3254	Pharmaceutical & Medicine Mfg	16,000	19.5%	1.7	$165,600	81.1%	69.4%

* Employment rounded to nearest 100. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

DIVERSIFIED MANUFACTURING

The Diversified Manufacturing component of the economic base includes Wood Product Manufacturing, Paper Manufacturing, Printing & Related Support Activities, Furniture & Related Product Manufacturing, Medical Equipment & Supplies Manufacturing, Apparel Manufacturing, Chemical Manufacturing (except Pharma), and Plastics & Rubber Products Manufacturing. In 2005, this sector provided just over 54,200 jobs, and was the fifth largest component of the region's economic base.

Overall, this sector reported job losses of just over 25% from 2001 to 2005. The greatest percentage of job losses was in Apparel Manufacturing, down 44.5% (a loss of over 3,800 jobs), followed by Plastics & Rubber Products Manufacturing (down 39.2% or 3,100 jobs). Printing & Related Support Activities reported the greatest number of jobs lost, down over 5,300 jobs (a loss of 35%). All eight sub-sectors reported job losses during this period.

Within Diversified Manufacturing, the most employment is found in Medical Equipment & Supplies Manufacturing, followed by Printing & Related Support Activities. The region has a higher concentration of jobs in Medical Equipment & Supplies Manufacturing (1.3 LQ) than found at the statewide level; however, the region has a lower concentration of Diversified Manufacturing jobs overall.

In 2005, the average annual wage for this sector was $56,775. At the sub-sector level, this ranged from a high of $84,556 in Medical Equipment & Supplies Manufacturing, to a low of $26,359 in Apparel Manufacturing.

The 2005 average annual wage and employment are shown in **Figure 19**.

Figure 19 Diversified Manufacturing 2005 Employment & Average Wages

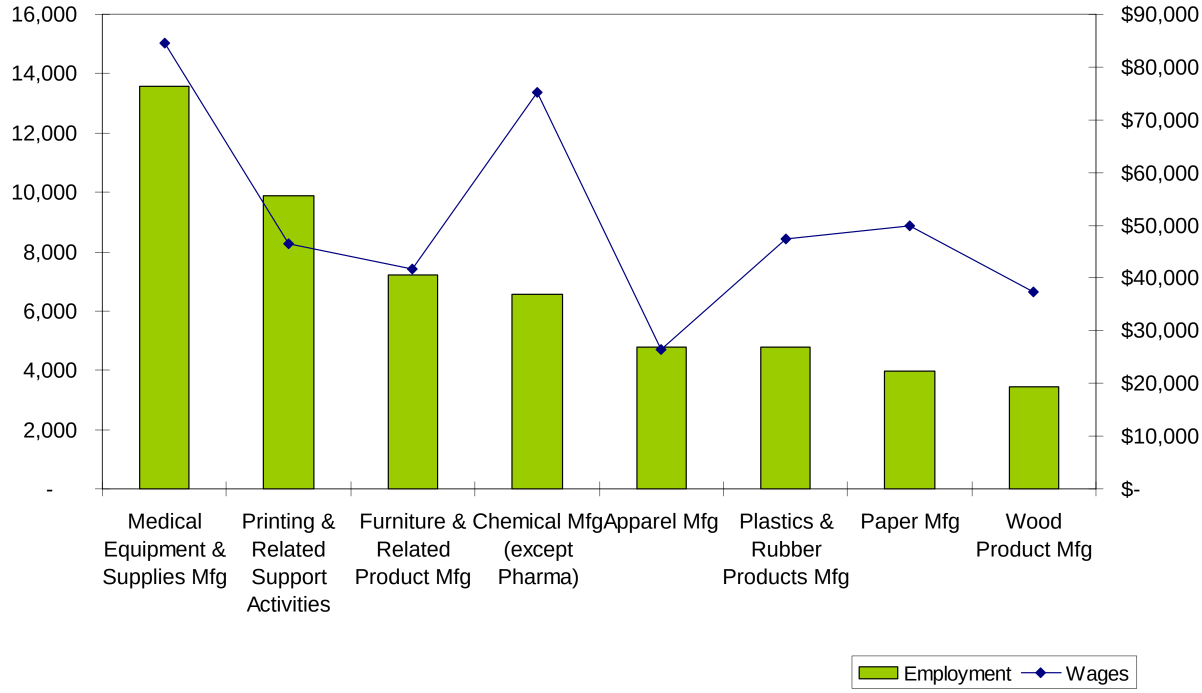


Figure 20 shows employment change from 2001 to 2005 for the industries in Diversified Manufacturing.

Figure 20 Diversified Manufacturing Industries Employment 2001-2005

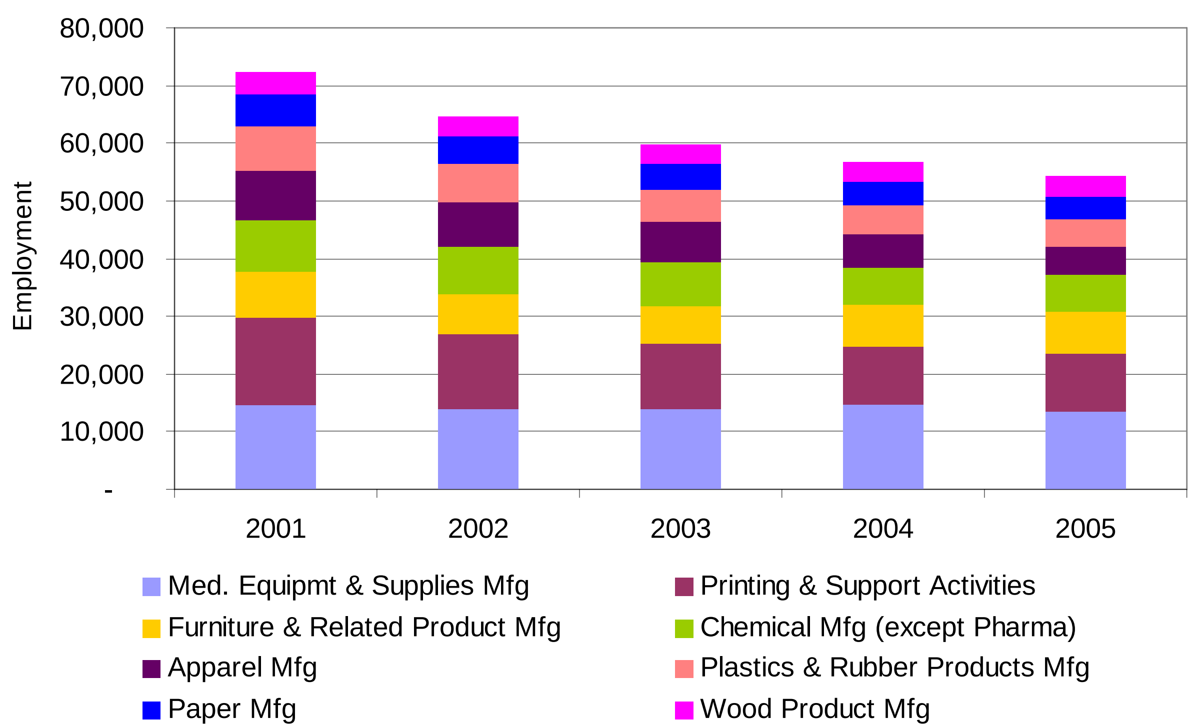


Figure 21 provides a summary of economic facts for the Diversified Manufacturing sector.

Figure 21 Diversified Manufacturing

NAICS	Sub-sector	2005 Emplymt*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
321	Wood Product Manufacturing	3,400	-12.6%	0.4	$ 37,393	97.5%	93.9%
322	Paper Manufacturing	4,000	-26.9%	0.6	$ 49,871	87.6%	75.3%
323	Printing & Support Activities	9,900	-35.1%	0.8	$ 46,374	98.6%	95.5%
337	Furniture & Related Product Mfg	7,200	-8.4%	0.5	$ 41,615	97.5%	94.4%
3391	Medical Equipmt & Supplies Mfg	13,600	-7.4%	1.3	$ 84,556	93.9%	91.2%
315	Apparel Manufacturing	4,800	-44.5%	0.3	$ 26,359	99.1%	93.1%
325-3254	Chemical Mfg (except Pharma)	6,500	-25.1%	0.7	$ 75,204	94.6%	85.8%
326	Plastics & Rubber Products Mfg	4,800	-39.2%	0.4	$ 47,443	94.7%	86.7%

* Employment rounded to nearest 100. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

WHOLESALE TRADE & TRANSPORTATION

The Wholesale Trade & Transportation sector includes Merchant Wholesalers, Durable Goods; Merchant Wholesalers, Nondurable Goods; Wholesale Electronic Markets & Agents & Brokers; and, Air Transportation. In 2005, Wholesale Trade & Transportation was the third largest component of the economic base, providing over 147,900 jobs.

Overall, Wholesale Trade & Transportation reported job losses of 14% from 2001 to 2005. Two sub-sectors reported growth; Wholesale Electronic Markets & Agents & Brokers reported the greatest number and percentage of job growth at 2,300 jobs, or 16.5%, and Merchant Wholesalers, Nondurable Goods reported very slight growth, increasing by less than 100 jobs, or 0.2%.

Within Wholesale Trade & Transportation, most of the jobs are found in Merchant Wholesalers, Durable Goods and Merchant Wholesalers, Nondurable Goods. Looking further, Merchant Wholesalers, Durable Goods is led by Professional & Commercial Equipment & Supplies Wholesalers, and Electrical & Electronic Goods Wholesalers. Merchant Wholesalers, Nondurable Goods is led by Grocery and Related Product Wholesalers and Miscellaneous Nondurable Goods Merchant Wholesalers. The region has a lower concentration of jobs in Wholesale Trade & Transportation than at the statewide level; however, at the sub-sector level, the region has a higher concentration in Air Transportation (1.8 LQ) than at the statewide level.

In 2005, the average annual wage for this sector was $66,516. This ranged from a high of $75,059 for Merchant Wholesalers, Durable Goods jobs, to a low of $54,875 for Merchant Wholesalers, Nondurable Goods jobs. **Figure 22** shows employment and average annual wages for all of the sub-sectors.

Figure 22 Wholesale Trade & Transportation 2005 Employment & Average Wages

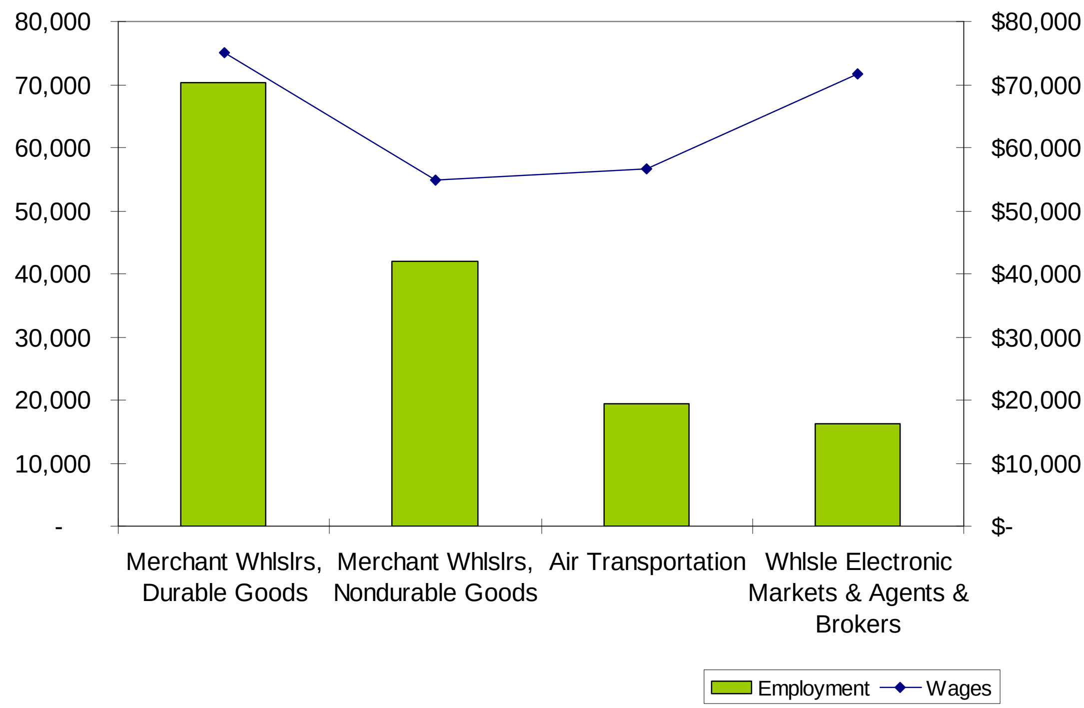


Figure 23 shows employment change from 2001 to 2005 for the industries in Wholesale Trade & Transportation.

Figure 23 Wholesale Trade & Transportation Industries Employment 2001-2005

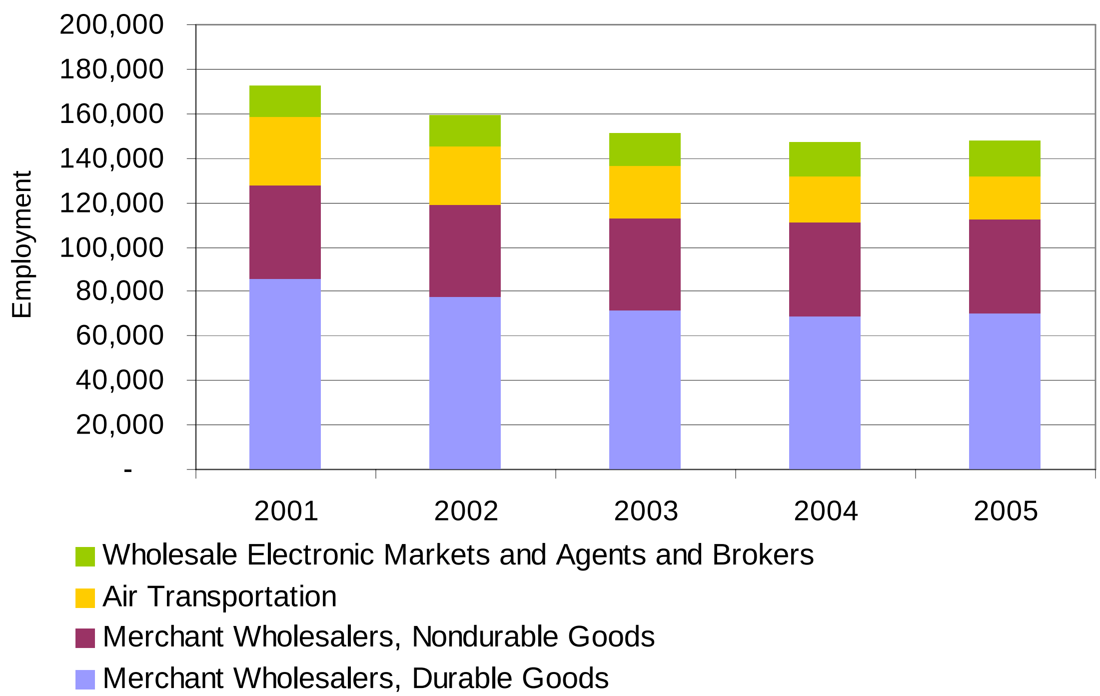


Figure 24 provides a summary of economic facts for the Wholesale Trade & Transportation sector.

Figure 24 Wholesale Trade & Transportation

NAICS	Sub-sector	2005 Emplymt*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
423	Merchant Whlslrs, Durable Goods	70,200	-18.2%	0.9	$ 75,059	97.9%	94.8%
424	Merchant Whlslrs, Nondurable Goods	42,100	0.2%	0.8	$ 54,875	97.7%	94.5%
425	Whlsle Electr. Mkts, Agents, Brokers	16,300	16.5%	0.8	$ 71,589	99.3%	98.2%
481	Air Transportation	19,400	-36.4%	1.8	$ 56,584	85.8%	77.4%

* Employment rounded to nearest 100.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

PROFESSIONAL, BUSINESS & INFORMATION SERVICES

The Professional, Business & Information Services sector includes Legal Services; Accounting, Tax Preparation, Bookkeeping and Payroll Services; Architectural, Engineering and Related Services; Computer Systems Design and Related Services; Management, Scientific and Technical Consulting Services; Scientific Research and Development Services; Management of Companies and Enterprises; Employment Services; Software Publishers; Internet Service Providers and Web Search Portals; and, Data Processing, Hosting and Related Services. In 2005, this sector was the largest component of the economic base, and provided 444,000 jobs.

Overall, this sector reported job losses of 18.5% from 2001 to 2005, down 100,600 jobs. Only two sub-sectors reported job gains during this period. The Management, Scientific and Technical Consulting Services sub-sector reported the greatest number and percentage of job growth, up 5,000 jobs, or 16.5%; Data Processing, Hosting, & Related Services also reported growth, up 600 jobs, or 7.2%.

Within Professional, Business & Information Services, most of the jobs are found in Computer Systems Design & Related Services, followed by Employment Services. The region has a higher concentration of jobs in Professional, Business & Information Services than found at the statewide level, led by Software Publishers (2.8 LQ), Internet Service Providers and Web Search Portals (2.7 LQ) and Computer Systems Design and Related Services (2.3 LQ).

In 2005, the average annual wage for the sector was $96,536; Internet Service Providers & Web Search Portals reported the highest average of $216,944, while Employment Services reported the lowest average wage of $36,736. **Figure 25** shows employment and average annual wages for all of the sub-sectors.

Figure 25 Professional, Business & Information Services 2005 Employment & Wages

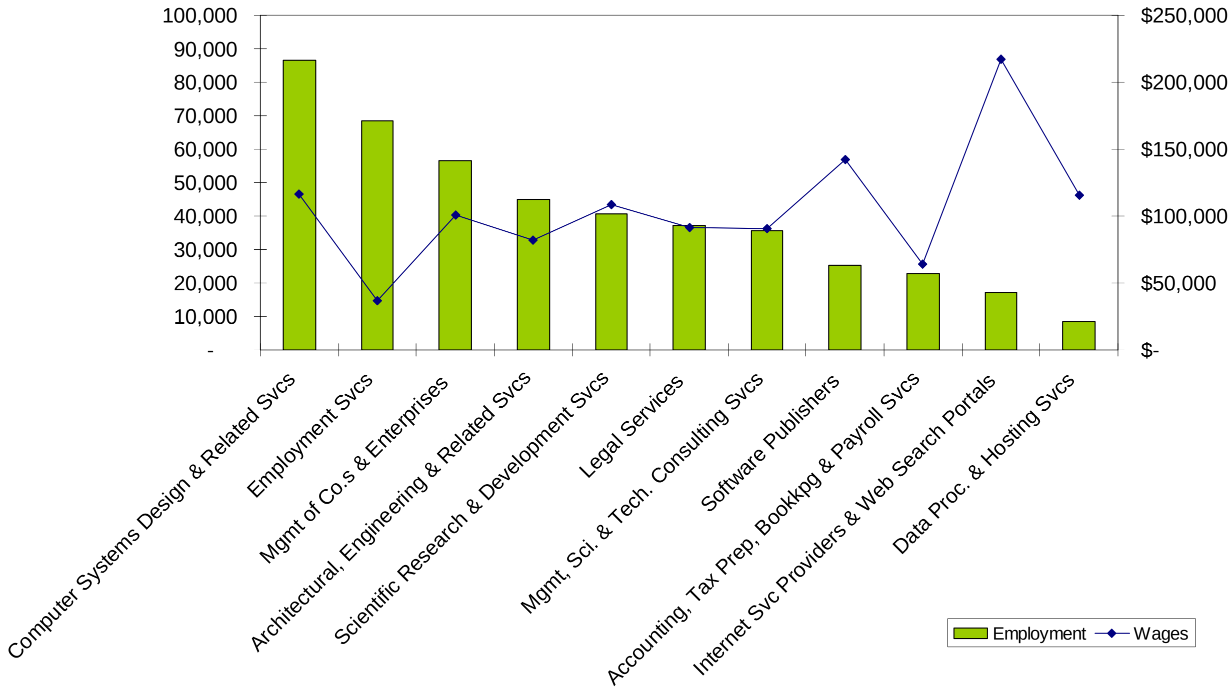


Figure 26 shows employment change from 2001 to 2005 for the industries in Professional, Business & Information Services.

Figure 26 Professional, Business & Info Svcs Industries Employment 2001-2005

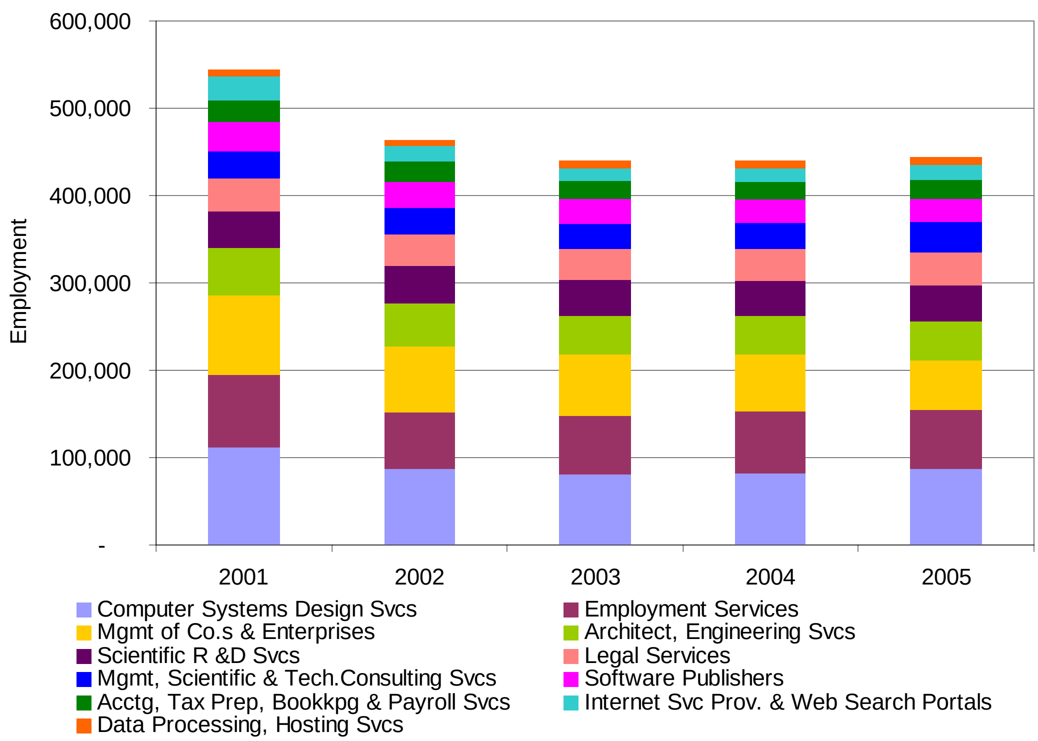


Figure 27 provides a summary of economic facts for the Professional, Business & Information Services sector.

Figure 27 Professional, Business & Information Services

NAICS	Industry	2005 Emplymt*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
5411	Legal Services	37,300	-1.2%	1.2	$ 91,638	98.8%	97.1%
5412	Accounting, Tax Prep, Bookkpg & Payroll Svcs	22,700	-10.3%	0.9	$ 64,433	99.0%	98.4%
5413	Architectural & Engineering Svcs	45,000	-17.0%	1.2	$ 82,077	98.3%	95.4%
5415	Computer Systems Design Svcs	86,600	-22.1%	2.3	$116,747	97.6%	95.0%
5416	Mgmt, Scientific & Tech.Consult.Svcs	35,600	16.5%	1.2	$ 90,356	99.1%	97.9%
5417	Scientific R & D Svcs	40,700	-3.1%	1.9	$108,609	92.8%	85.8%
5511	Mgmt of Co.s & Enterprises	56,500	-37.4%	1.1	$100,613	87.9%	74.1%
5613	Employment Svcs	68,300	-18.7%	0.7	$ 36,736	85.3%	69.6%
5112	Software Publishers	25,600	-24.6%	2.8	$142,144	92.4%	84.8%
5181	Internet Providers & Web Search Portals	17,200	-37.6%	2.7	$216,944	94.3%	89.0%
5182	Data Processing & Hosting Svcs	8,600	7.2%	1.9	$115,498	95.5%	92.5%

* Employment rounded to nearest 100.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

TOURISM & ENTERTAINMENT

The Tourism & Entertainment sector includes Motion Picture & Video Industries; Sound Recording Industries; Amusement, Gambling & Recreation Industries; and, Accommodation. In 2005, this sector provided over 93,100 jobs, and was the fourth largest component of the economic base.

Overall, this sector reported job losses of 2.6% from 2001 to 2005, down almost 2,500 jobs. Only the Amusement, Gambling, and Recreation Industries sub-sector reported job gains, up 1.2%, or over 400 jobs. Within the Amusement, Gambling, and Recreation Industries sub-sector, most of the jobs are found in Fitness & Recreational Sports Centers.

The three other sub-sectors reported job losses. The greatest number of jobs lost was reported by Accommodation, down 1,600 jobs (-3.3%); the greatest percentage of job losses was experienced by Sound Recording Industries, down almost 72%, with almost 1,200 jobs lost.

The region has a lower concentration of Tourism & Entertainment jobs overall than found at the statewide level; however, at the sub-sector level, it has a higher concentration of Accommodation jobs than found statewide.

In 2005, the average annual wage reported for this sector was $30,126. This ranged from a high of $65,882 for Sound Recording Industries, to a low of $23,790 for Amusement, Gambling, and Recreation. **Figure 28** shows employment and average annual wages for all of the sub-sectors.

Figure 28 Tourism & Entertainment 2005 Employment & Wages

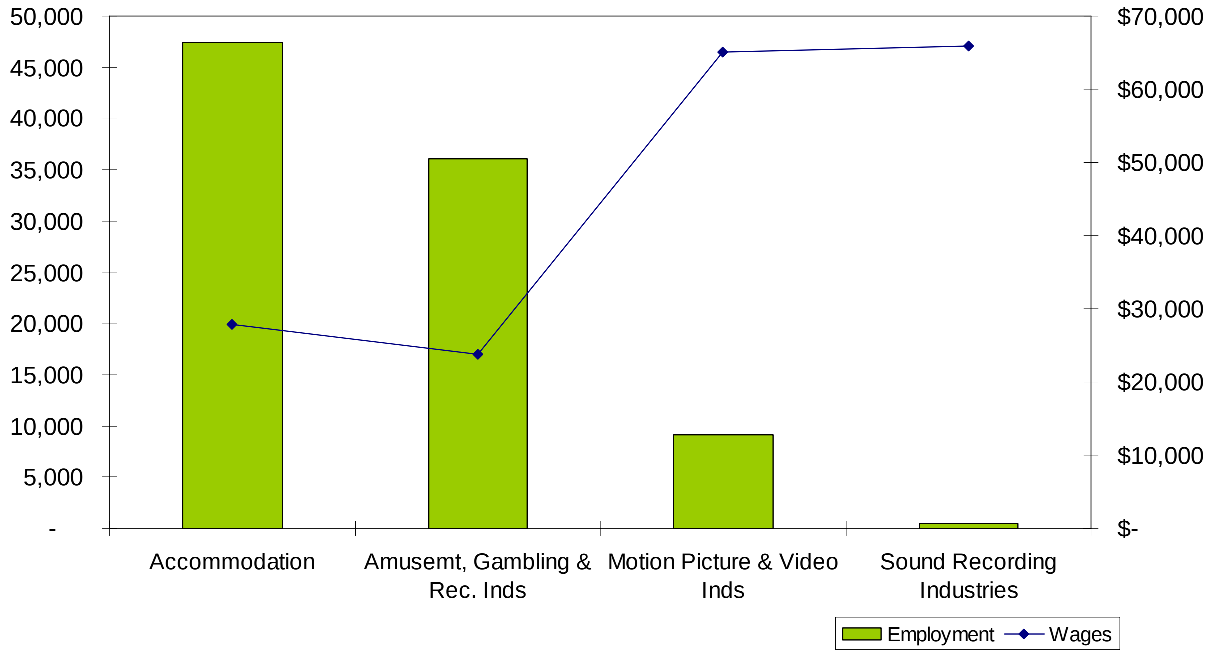


Figure 29 shows employment change from 2001 to 2005 for the industries in Tourism & Entertainment. Sound Recording Industries is not shown due to confidentiality.

Figure 29 Tourism & Entertainment Industries Employment 2001-2005

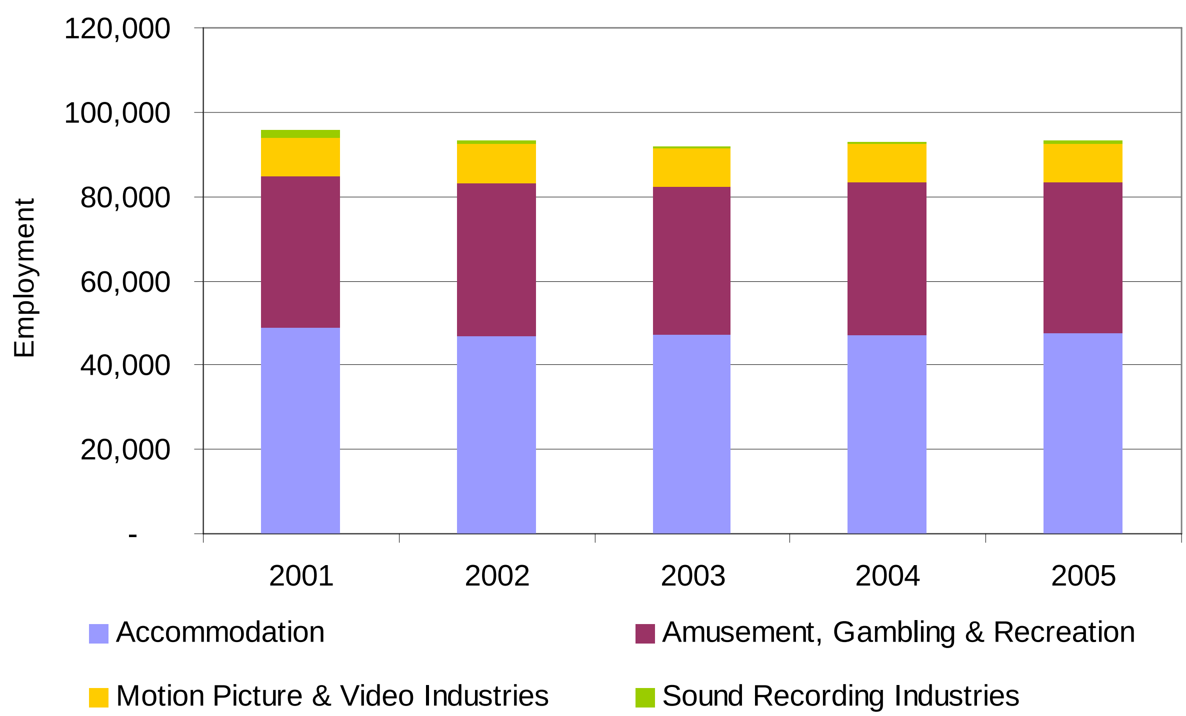


Figure 30 provides a summary of economic facts for the Tourism & Entertainment sector.

Figure 30 Tourism & Entertainment

NAICS	Sub-sector/Industry	2005 Employmt*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
5121	Motion Picture & Video Industries	9,100	-1.4%	0.3	$ 65,079	96.9%	91.1%
5122	Sound Recording Industries	500	-71.8%	0.4	$ 65,882	98.8%	97.6%
713	Amusement, Gambling & Recreation	36,100	1.2%	1.0	$ 23,790	95.2%	86.4%
721	Accommodation	47,500	-3.3%	1.1	$ 27,879	91.8%	86.8%

* Employment rounded to nearest 100.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

RESOURCE BASED

The Resource Based industries include Farm[4], Logging, Mining, Sawmill & Woodworking Machinery Manufacturing, Fruit & Vegetable Preserving & Specialty Food Manufacturing, Animal Slaughtering & Processing and Seafood Preparation & Packaging[5]. Resource Based is the second smallest component of the region's economic base.

In 2005, this sector provided almost 40,700 jobs for the region, although the sector reported job losses of almost 15% from 2001 to 2005. There is lower concentration of overall Resource Based jobs and sub-sector jobs in this region, with the exception of Sawmill and Woodworking Machinery Manufacturing (1.7 LQ). See **Figure 33** for the concentration levels (LQs) for all sub-sectors.

Only three of the primary sub-sectors/industry groups in the Resource Based sector reported job gains. Fruit & Vegetable Preserving & Specialty Food Manufacturing grew by over 400 jobs, up 9%; Seafood Product Preparation & Packaging grew by 150 jobs, or almost 130%, which was the highest percentage of job growth; and, Sawmill & Woodworking Machinery Manufacturing grew by less than 50 jobs, up 26.1%. The most jobs were lost in the Farm sector, led by losses in the Crop Production industry. At the most detailed industry level, these losses were highest (based on numbers of jobs) in Grape Production and Nursery & Tree Production.

In 2005, the average annual wage reported for this sector was $31,362. This ranged from a high of $95,603 for Mining, to a low of $24,476 for Logging jobs.

Figure 31 shows employment and average annual wages for the Resource Based industries.

[4] Farm equals all Agriculture, Forestry, Fishing & Hunting jobs (NAICS 11) except Logging (NAICS 1133).
[5] There was no employment reported for Sawmill & Woodworking Machinery Manufacturing or for Seafood Preparation & Packaging for the Bay Area Region. These industries are mentioned here so that the economic base definition is consistent across regions.

Figure 31 Resource Based 2005 Employment & Wages

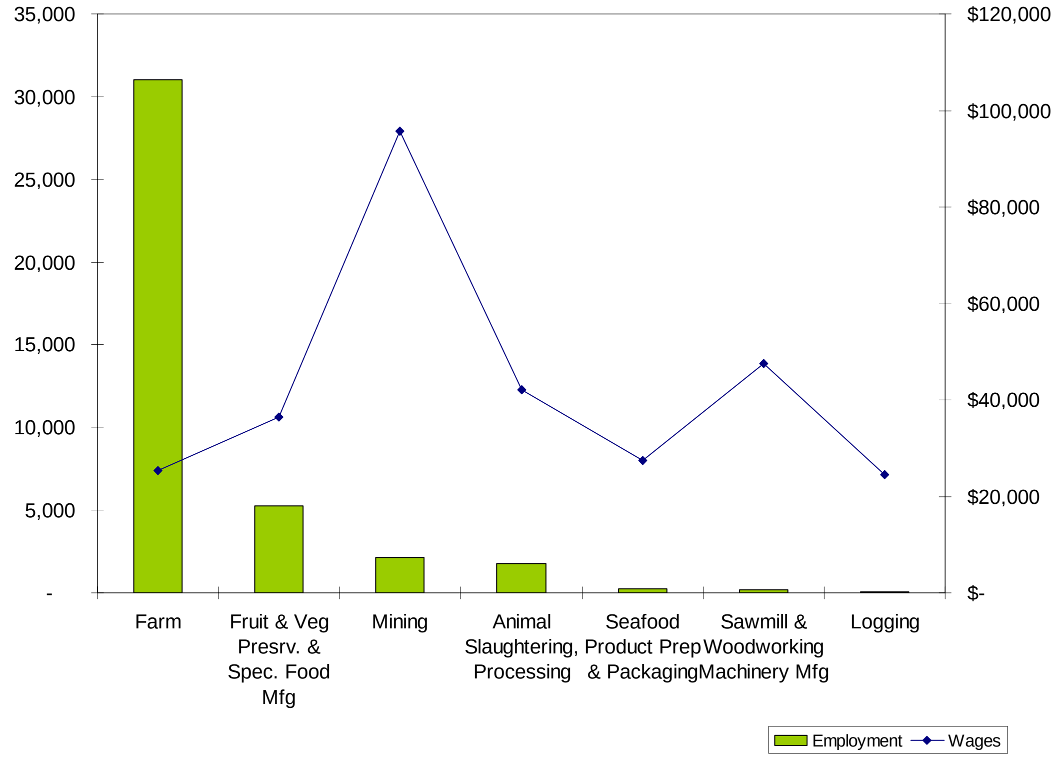


Figure 32 shows employment change from 2001 to 2005 for the Resource Based industries.

Figure 32 Resource Based Industries Employment 2001-2005

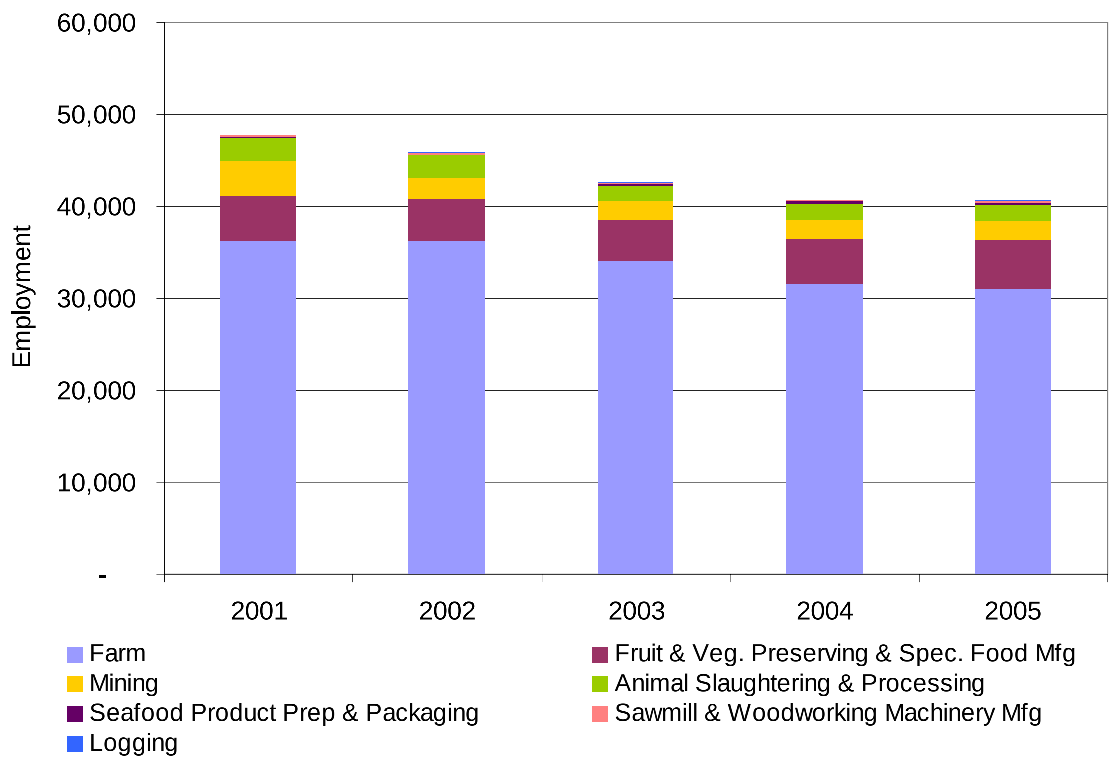


Figure 33 provides a summary of economic facts for the Resource Based industries.

Figure 33 Resource Based

NAICS	Sub-sector/Industry	2005 Emplymt *	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
11-1133	Farm	31,000	-14.4%	0.4	$ 25,395	97.2%	92.8%
1133	Logging	< 50	-19.6%	0.1	$ 24,476	100.0%	100.0%
21	Mining	2,100	-44.7%	0.4	$ 95,603	95.2%	86.9%
3114	Fruit, Veg. Preserv. & Spec.Food Mfg	200	26.1%	**1.7**	$ 47,571	72.1%	62.3%
3116	Animal Slaughtering & Processing	5,300	9.0%	0.7	$ 36,356	89.4%	78.7%
3117	Seafood Product Prep & Packaging	1,700	-30.8%	0.4	$ 42,042	85.7%	71.4%
33321	Sawmill & Woodwk. Machinery Mfg	300	129.9%	0.5	$ 27,530	Not Available	Not Available

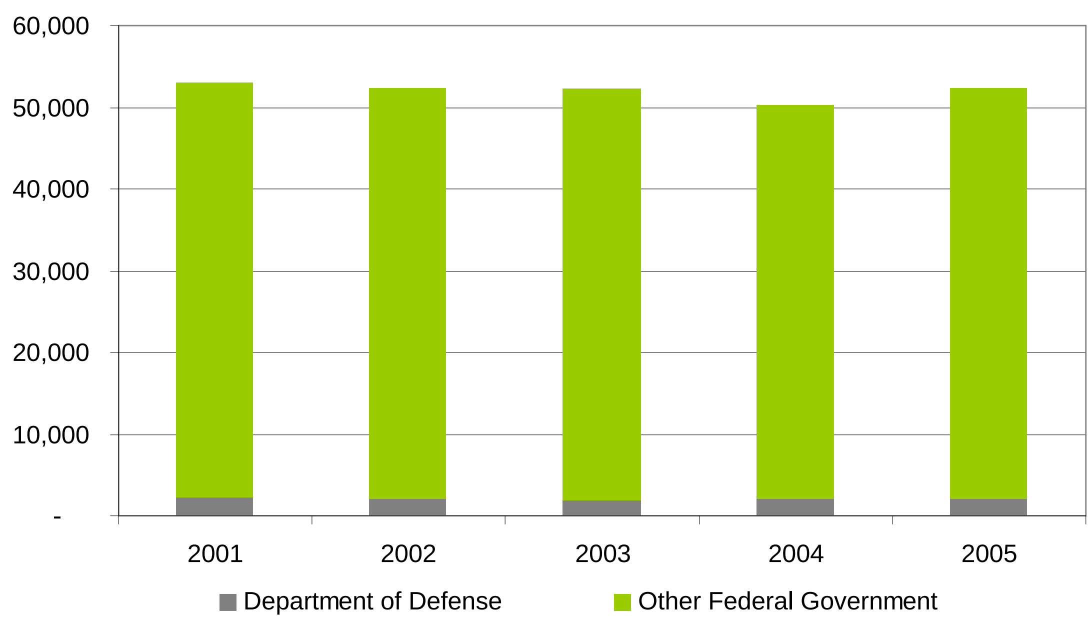
* Employment rounded to nearest 100.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

FEDERAL GOVERNMENT, DEFENSE AND OTHER FEDERAL GOVERNMENT

The Federal Government sector in the economic base includes Defense and Other Federal Government. In 2005, this sector provided 52,300 of the region's jobs.

This sector experienced job losses of 700 jobs from 2001 to 2005, a loss of 1.3%. During this period, Defense reported job losses of 100 (-4.5%), while Other Federal Government reported job losses of 600 (-1.2%).

Figure 34 Defense and Other Federal Government Employment 2001 to 2005



The region has higher concentration of Other Federal Government jobs (1.2 LQ) compared to the statewide level, but has a very low concentration of Defense jobs (0.2 LQ).

In 2005, the average annual wage for all federal jobs was $63,985. A separate average for Defense or Other Federal Government was not available, so we are presenting the average for all federal jobs.

Figure 35 provides a summary of economic facts for Federal Government, Defense and Other Federal Government.

Figure 35 Federal Government, Defense and Other Federal Government

Sub-sector	2005 Employmt*	Growth 01- 05	2005 LQ**	2005 Avg. Annual Wages***
Defense	2,100	-4.5%	0.2	$63,985
Other Federal Government	50,200	-1.2%	1.2	$63,985

* Employment rounded to nearest 100.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.
*** A separate average for Defense or Other Federal Government was not available, so we are presenting the average for all federal jobs.

BEYOND THE ECONOMIC BASE: A LOOK AT INDUSTRY CLUSTERS AND OTHER INDUSTRIES IMPORTANT TO THE REGION'S ECONOMY

This section looks at industry clusters and sectors that are important to the region's economy, but are not considered a part of the economic base. Their inclusion here reflects the broader interpretation of the economic base seen in some of the past economic base reports.[6] For the Bay Area Region, this will include the Food Chain cluster, Construction, Manufacturing Value Chain, Health Sciences & Services and All Government.

THE FOOD CHAIN

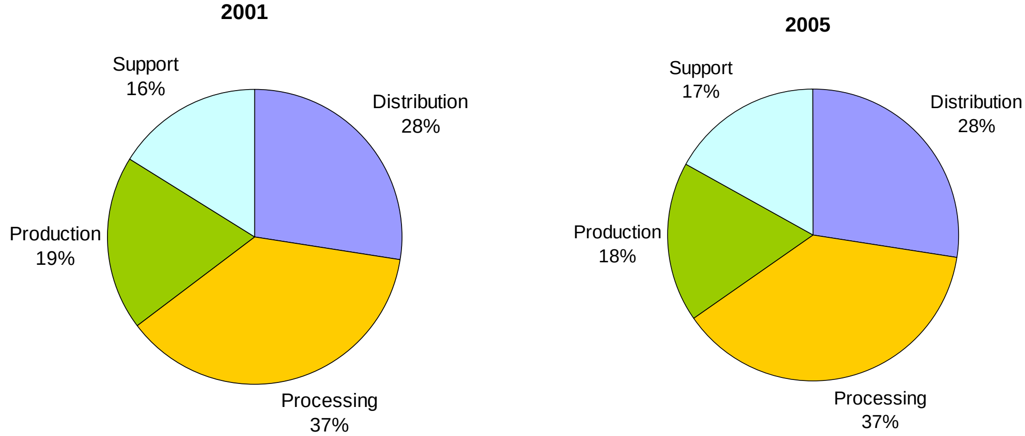
California is a leader in the global Food Chain. Global market forces are transforming California's Food Chain, as local firms become multinational firms and foreign firms produce locally in order to efficiently tailor products for local markets. As globalization has increased competition, it has also brought new opportunities in the form of new products for the state's consumers and new markets for the state's firms. Technology's role has been central as an enabler and driver in these global processes through advances in production, packaging, shipping and communications.[7] Locally, California companies are adopting innovative new processes in order to meet consumers' changing demands, such as the increasing demand for high quality convenience foods and organic products, while remaining competitive.

The Food Chain[8] cluster is composed of four components; Production, Support, Processing and Distribution. This cluster provides 3.4% of all jobs in the Bay Area Region, or about 114,400 jobs in 2005. From 2001 to 2005, the Food Chain cluster experienced job losses of over 4,800 jobs, a drop of 4%. The sharpest employment decline took place from 2002 to 2003, with a loss of about 3,400 jobs.

Most of the jobs within this region's Food Chain cluster are in Processing industries, providing over 37% of the cluster's jobs, followed by Distribution (28%), Production (18%) and Support (17%). The distribution of jobs within the Food Chain cluster changed slightly from 2001 to 2005, specifically in Production and Support, as seen in **Figure 36**.

[6] The economic base reports released in 2006 used a broader definition of the economic base than the traditional one, as did the reports released in 2004 for the rural regions.
[7] Excerpts from the report, *California's Food Chain at Work*, prepared for the California Economic Strategy Panel by Collaborative Economics, Inc.
[8] This cluster includes some of the industries presented in the Resource Based component of the economic base.

Figure 36 Employment Distribution 2001 & 2005



From 2001-2005, three of the four cluster components reported job losses; only Support reported growth, up by about 400 jobs, or 2.1%. Production experienced the greatest number of jobs lost, down 2,900 jobs, or 12.6%; Distribution lost over 1,200 jobs (-3.7%), and Processing lost almost 1,100 jobs (-2.5%).

Size of Business

From 2001 to 2005, the percentage of Food Chain businesses with fewer than 100 employees remained constant, at 96.3% in 2001 and 96.4% in 2005. These businesses provided 58.4% of the Food Chain employment in 2001, and 57.7% in 2005. In contrast, only 3.6% of the businesses in the Food Chain employ 100 or more workers, and these businesses provide 42.3% of the Food Chain jobs.

Figure 37 Distribution of Firms and Jobs in the Food Chain by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	46.2%	4.4%
5-9	20.1%	7.4%
10-19	13.7%	10.2%
20-49	12.5%	20.6%
50-99	3.9%	15.1%
100-249	2.7%	21.4%
250-499	0.6%	11.0%
500+	0.3%	9.9%

Businesses with fewer than 50 employees provided 42.6% of all Food Chain jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.3% of all of the region's private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided 11.8% of all Food Chain jobs, compared to 15% of all private industry jobs.

Production reported the highest percentage of businesses with fewer than 100 employees, at 97.5%, followed by Distribution at 97.4%. Processing reported the lowest percentage, at 91.7%.

The percentage of Food Chain firms with fewer than 100 employees and fewer than 50 employees, by cluster component, is included in **Figure 38**.

Figure 38 provides a summary of facts for the Food Chain cluster components.

Figure 38 Food Chain

Component	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
Production	31,700	-3.7%	1.0	$ 44,233	97.5%	93.2%
Support	42,800	-2.5%	1.0	$ 42,440	96.1%	90.2%
Processing	20,300	-12.5%	0.5	$ 24,335	91.7%	85.8%
Distribution	19,600	2.1%	0.4	$ 39,288	97.4%	94.9%
Food Chain Totals	**114,400**	**-4.0%**	**0.7**	**$ 39,201**	**96.4%**	**92.5%**

* Employment rounded to nearest 100. Total employment may not equal sum of components due to rounding or suppression.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

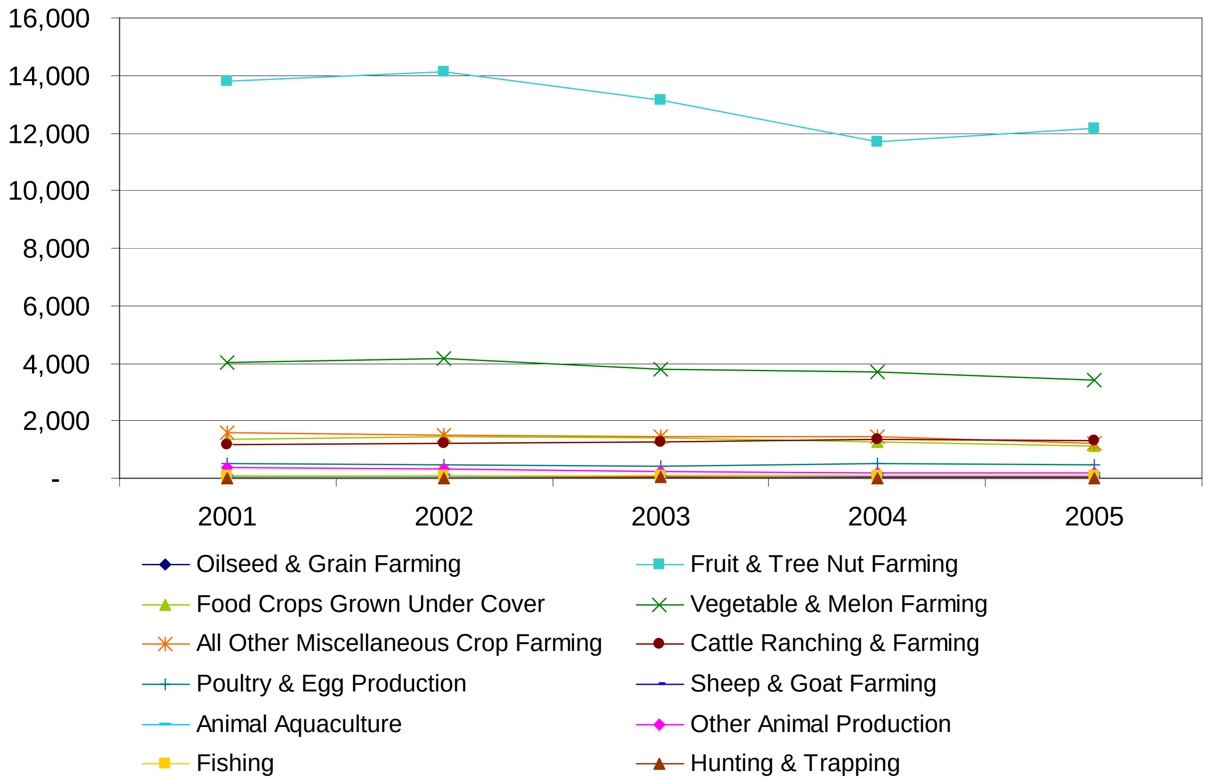
Production

Production is third in employment size, of the four Food Chain components, with almost 20,300 jobs in 2005. Within Production, the largest industries are Fruit & Tree Nut Farming, followed by Cattle Ranching & Farming and Vegetable & Melon Farming. Although Production as a whole reported job losses from 2001 to 2005 of 2,900 jobs (-12.6%), some industries within Production reported slight job gains. These gains were led by Cattle Ranching & Farming, up almost 150 jobs (+12.2%). This was followed by Oilseed & Grain Farming and Animal Aquaculture, each up fewer than 50 jobs, but with high percentages of job growth at 33.3% and 40%, respectively.

The job losses in Production were led by Fruit & Tree Nut Farming, down over 1,600 jobs, or 11.9%, followed by Vegetable & Melon Farming losses, down almost 600 jobs (-14.6%).

Figure 39 graphs the employment change for the Production industries from 2001 to 2005. More information on each industry's size and growth are provided in **Figure 40**.

Figure 39 Production Industries Employment Growth 2001-2005



The Bay Area Region has a low concentration of Production jobs, with an LQ of 0.5. Within Production, the industry with the highest concentration was Food Crops Grown Under Cover , (1.1 LQ), although small in employment size. The concentration for each Production industry is provided in **Figure 40**.

Overall, Production reported an average annual wage of $24,335 in 2005, which is less than half of the region's average annual wage for all private industries of $59,881. Within Production, Fishing reported the highest average wage, at $48,633, while Hunting & Trapping reported the lowest, at $18,602.

Figure 40 provides a summary of economic facts for the Food Chain Production industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 40 Food Chain – Production

NAICS	Production	2005 Employmt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
1111	Oilseed & Grain Farming	116	33.3%	0.2	$ 27,544	100.0%	100.0%
1113	Fruit & Tree Nut Farming	12,170	-11.9%	0.6	$ 23,020	97.1%	92.1%
11141	Food Crops Grown Under Cover	1,110	-19.1%	1.1	$ 30,460	Not Available	Not Available
11193	Sugarcane Farming	0	N/A	N/A	N/A	N/A	N/A
111991	Sugar Beet Farming	S	S	S	S	Not Available	Not Available
111992	Peanut Farming	0	N/A	N/A	N/A	N/A	N/A
1112	Vegetable & Melon Farming	3,432	-14.6%	0.5	$ 24,054	94.1%	84.6%
111998	All Other Misc. Crop Farming	1,226	-22.4%	0.4	$ 26,087	Not Available	Not Available
1121	Cattle Ranching & Farming	1,304	12.2%	0.3	$ 26,118	99.2%	99.2%
1122	Hog & Pig Farming	0	N/A	N/A	N/A	N/A	N/A
1123	Poultry & Egg Production	462	-10.8%	0.6	$ 28,911	100.0%	89.2%
1124	Sheep & Goat Farming	69	3.0%	0.8	$ 24,782	100.0%	100.0%
1125	Animal Aquaculture	91	40.0%	0.8	$ 36,483	100.0%	85.7%
1129	Other Animal Production	202	-48.9%	0.5	$ 24,418	100.0%	100.0%
1141	Fishing	86	-7.5%	0.6	$ 48,633	100.0%	100.0%
1142	Hunting and Trapping	6	-45.5%	0.6	$ 18,602	100.0%	100.0%
	Production Totals, Non-suppressed* **	20,274	-12.5%	0.5	$ 24,335	**97.5%**	**93.2%**

* Employment rounded to nearest 100. Numbers may not add due to rounding. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.
*** Calculations made using this total may not match those in this report, as the report's findings are based on all data, including confidential data.

Support

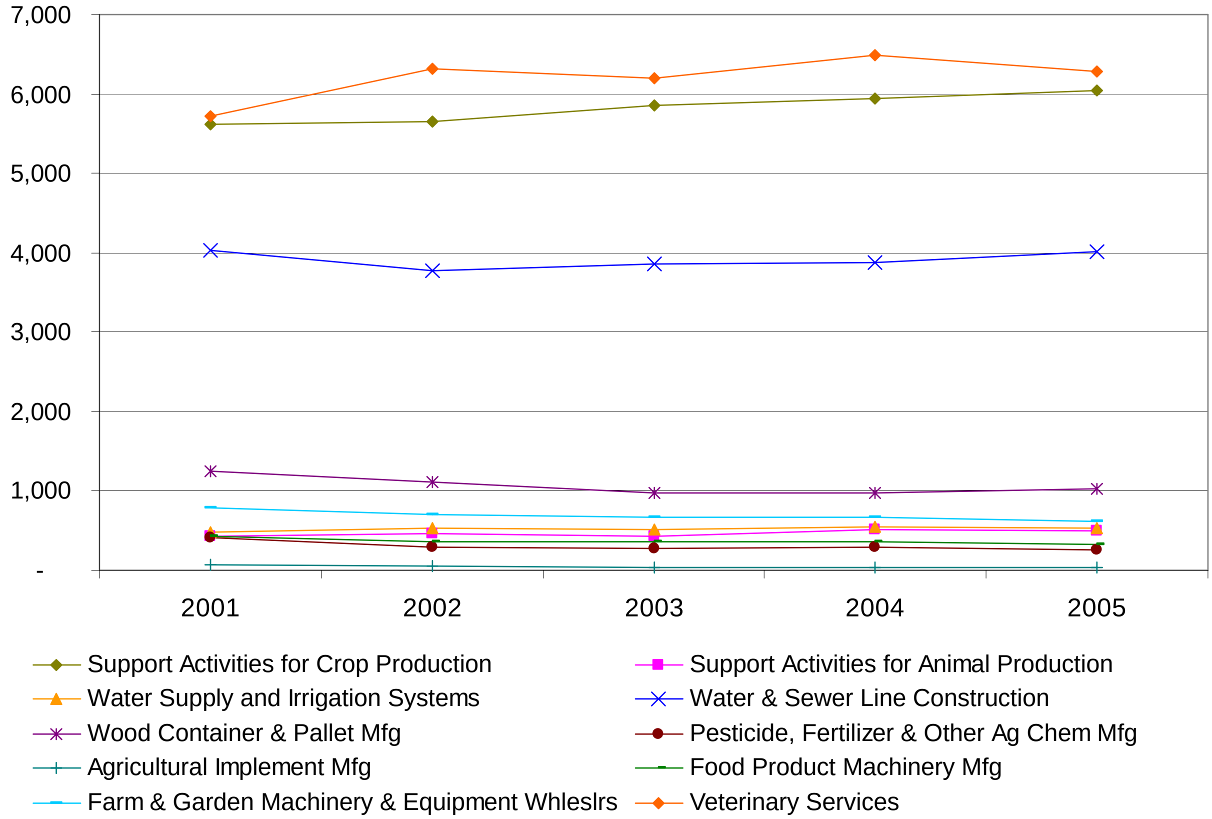
Support is the smallest component of the region's Food Chain cluster, with 19,600 jobs in 2005. Support grew by almost 400 jobs, or 2.1% from 2001 to 2005. Within Support, the largest industry is Veterinary Services, with almost 6,300 jobs. This industry grew by 9.6% from 2001 to 2005, adding over 550 jobs. A close second in size, Support Activities for Crop Production reported just over 6,000 jobs in 2005, representing a 7.5% increase from 2001.

From 2001 to 2005, the fastest growing Support industry (largest percentage increase in jobs) was Support Activities for Animal Production, increasing by 19.5% (a 4.5% AAGR). This was followed by Veterinary Services, increasing by 9.6% (a 2.3% AAGR). Support Activities for Animal Production is very small, only providing about 500 jobs.

The largest percentage of jobs lost during this period was reported by Agricultural Implement Manufacturing, with a loss of 44.3%; this is a very small industry with fewer than 50 jobs in 2005. The largest number of jobs lost during this period was reported by Wood Container & Pallet Manufacturing, down over 200 jobs. While this represents a loss of almost 18% of the industry's employment, the number of jobs lost was very small for the region.

Figure 41 graphs the employment change for the Support industries from 2001 to 2005.

Figure 41 Support Industries Employment Growth 2001-2005



The Bay Area Region has a low concentration of Support jobs, compared to the statewide level, with an LQ of 0.4. Within Support, concentration is highest in Veterinary Services (1.02 LQ), but only about equal to the statewide level.

Overall, Support reported an average annual wage of $39,288 in 2005, which is significantly lower than the region's average annual wage for all private industries of $59,881, but up over 10% from 2001. The four highest paying industries in Support are Water & Sewer Line & Related Construction, with an average wage of $65,882 annually, followed by Water Supply & Irrigation Systems ($59,881); Food Product Machinery Manufacturing ($58,355); and, Pesticide, Fertilizer & Other Agricultural Chemicals Manufacturing ($55,266). The industry with the lowest average annual wage is Support Activities for Animal Production, at $22,704.

Figure 42 provides a summary of economic facts for the Food Chain Support industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 42 Food Chain - Support

NAICS	Support	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
1151	Support Activities for Crop Production	6,000	7.5%	0.2	$ 26,247	93.5%	84.7%
1152	Support Activities for Animal Production	500	19.5%	0.7	$ 22,704	100.0%	100.0%
22131	Water Supply & Irrigation Systems	500	8.1%	0.5	$ 59,881	Not Available	Not Available
23711	Water & Sewer Line & Rel. Construction	4,000	-0.5%	0.9	$ 65,882	Not Available	Not Available
32192	Wood Container & Pallet Mfg	1,000	-17.9%	1.0	$ 30,556	Not Available	Not Available
3253	Pesticide, Fertilizer & Other Ag.Chem.Mfg	300	-36.7%	0.4	$ 55,266	100.0%	86.7%
33311	Agricultural Implement Mfg	< 50	-44.3%	0.1	$ 37,793	Not Available	Not Available
333294	Food Product Machinery Mfg	300	-25.7%	0.6	$ 58,355	Not Available	Not Available
42382	Farm, Garden Machinery & Equip. Whlslrs	600	-21.6%	0.4	$ 48,179	Not Available	Not Available
54194	Veterinary Services	6,300	9.6%	1.02	$ 33,389	Not Available	Not Available
	Support Totals	19,600	**2.1%**	**0.4**	**$ 39,288**	**96.1%**	**90.2%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

Processing

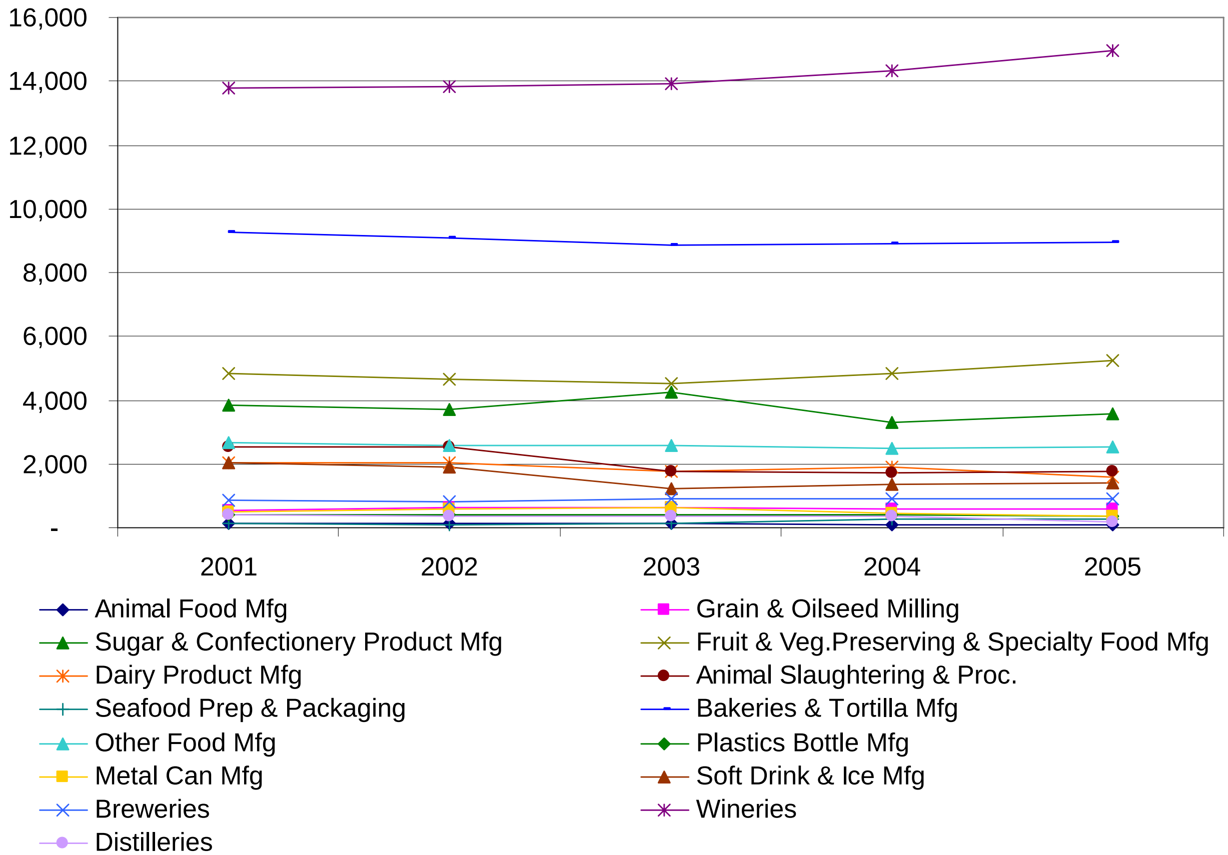
The Processing component of the Food Chain cluster is the largest component, with over 42,800 jobs; however, Process experienced job losses of almost 1,100 jobs from 2001 to 2005, down 2.5%. Within Processing, the largest industry is Wineries, with almost 15,000 jobs in 2005. Second, Bakeries & Tortilla Manufacturing reported almost 9,000 jobs (led by Bread & Bakery Product Manufacturing, with over 7,400 jobs).

The largest number of jobs gained in Processing, for the period 2001to 2005, was in Wineries, with a gain of 1,200 jobs. The second largest number of jobs gained was reported by Fruit & Vegetable Preserving & Specialty Food Manufacturing, with a gain of over 400 jobs. Seafood Product Preparation & Packaging was the fastest growing industry, up 130% (led by Fresh & Frozen Seafood Processing); however, this is a small industry with fewer than 300 jobs in 2005.

The job losses in Processing from 2001 to 2005were led by Animal Slaughtering & Processing, down almost 800 jobs, followed by Soft Drink & Ice Manufacturing, down over 600 jobs.

Figure 43 graphs the employment change for the Processing industries from 2001 to 2005. More information on each industry's size and growth are provided in **Figure44**.

Figure 43 Processing Industries Employment Growth 2001-2005



The Bay Area Region has a concentration of Processing jobs just equal to the statewide level; however, the region has a very high concentration – and therefore a strong competitive advantage – in Wineries (2.7 LQ), Distilleries (2.1 LQ), and Sugar & Confectionery Product Manufacturing (2.0 LQ). The Distilleries industry is very small, with fewer than 200 employees, while Wineries reported almost 15,000 jobs and Sugar & Confectionery Product Manufacturing provides almost 3,600 jobs. The Breweries industry also has a higher concentration than found statewide, at 1.3 LQ, and provided 900 jobs in 2005. The concentration for each Production industry is provided in **Figure 44**.

Overall, Processing reported an average annual wage of $42,440 in 2005, which is lower than the region's average annual wage for all private industries of $59,881. Within Processing, Metal Can Manufacturing reported the highest average wage, at $67,689, followed by Distilleries, at $61,984. Nonfolding Sanitary Food Container Manufacturing reported the lowest, at $20,076, well below the region's average.

Figure 44 provides a summary of economic facts for the Food Chain Processing industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 44 Food Chain - Processing

NAICS	Processing	2005 Emplymt*	2001-2005 Growth	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
3111	Animal Food Manufacturing	1008	-37.2%	0.1	$ 54,961	100.0%	100.0%
3112	Grain & Oilseed Milling	600	8.2%	0.6	$ 48,251	90.0%	75.0%
3113	Sugar & Confectionery Product Mfg	3,600	-6.4%	2.0	$ 46,630	80.4%	72.5%
3114	Fruit & Veg. Presrv & Spec. Food Mfg	5,300	9.0%	0.7	$ 36,356	72.1%	62.3%
3115	Dairy Product Manufacturing	1,600	-20.5%	0.4	$ 43,338	89.7%	84.6%
3116	Animal Slaughtering & Processing	1,700	-30.8%	0.4	$ 42,042	89.4%	78.7%
3117	Seafood Product Prep & Packaging	300	129.9%	0.5	$ 27,530	85.7%	71.4%
3118	Bakeries & Tortilla Mfg	9,000	-3.5%	1.0	$ 29,919	95.0%	91.9%
3119	Other Food Manufacturing	2,500	-4.5%	0.5	$ 37,392	85.5%	64.5%
322215	Nonfolding Sanitary Food Contnr Mfg	S	S	S	S	Not Available	Not Available
32616	Plastics Bottle Manufacturing	400	-11.8%	0.4	$ 53,734	Not Available	Not Available
327213	Glass Container Manufacturing	S	-27.2%	0.7	$ 58,696	Not Available	Not Available
332115	Crown and Closure Manufacturing	< 10	300.0%	0.2	$ 56,010	Not Available	Not Available
332431	Metal Can Manufacturing	400	-24.7%	0.6	$ 67,689	Not Available	Not Available
31211	Soft Drink & Ice Manufacturing	1,400	-30.8%	0.7	$ 55,941	Not Available	Not Available
31212	Breweries	900	6.8%	1.3	$ 50,185	Not Available	Not Available
31213	Wineries	15,0000	8.6%	2.7	$ 48,603	Not Available	Not Available
31214	Distilleries	200	-57.6%	2.1	$ 61,984	Not Available	Not Available
	Processing Totals, Non-suppressed* **	**42,800**	**-2.5%**	**1.0**	**$ 42,440**	**91.7%**	**85.8%**

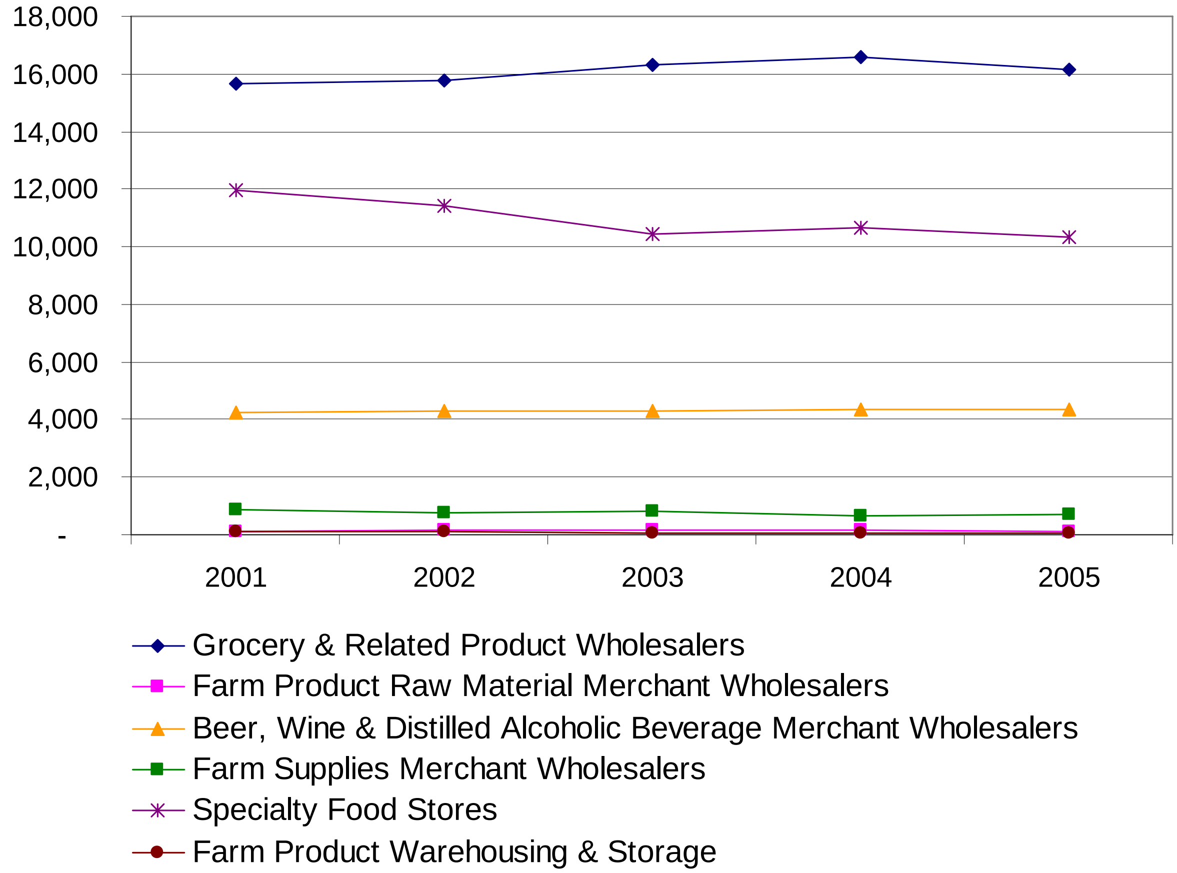
* Employment rounded to nearest 100; when very small, rounded to nearest 10. Numbers may not add due to rounding. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.
*** Calculations made using this total may not match those in this report, as the report's findings are based on all data, including confidential data.

Distribution

Distribution is the second largest component of the region's Food Chain cluster, with over 31,700 jobs in 2005. From 2001 to 2005, Distribution experienced job losses of over 1,200, down 3.7%. The largest industry within Distribution is Grocery & Related Product Wholesalers, with over 16,100 jobs in 2005, followed by Specialty Food Stores with almost 10,400 jobs. Grocery & Related Product Wholesalers was the only industry within Distribution to report job growth from 2001 to 2005, adding almost 500 jobs.

Figure 45 graphs the employment change for the Distribution industries from 2001 to 2005. More information on each industry's size and growth are provided in **Figure 46**.

Figure 45 Distribution Industries Employment 2001-2005



The Bay Area Region has an equal concentration of Distribution jobs compared to the statewide level. Within Distribution, the industries with the highest concentrations were Beer, Wine & Distilled Alcoholic Beverage Merchant Wholesalers (1.5 LQ) and Specialty Food Stores (1.3 LQ). The concentration for each Distribution industry is provided in **Figure 46**.

Overall, Distribution reported an average annual wage of $44,233 in 2005, which is lower than the region's average annual wage for all private industries of $59,881. Within Distribution, Farm Product Raw Material Merchant Wholesalers reported the highest average wage, at $64,692, followed closely by Beer, Wine & Distilled Alcoholic Beverage Merchant Wholesalers, at $64,069. Specialty Food Stores reported the lowest, at $27,234.

Figure 46 provides a summary of economic facts for the Food Chain Distribution industries. (Size-of-business data were not available for industries defined at the five or six-digit NAICS code level.)

Figure 46 Food Chain - Distribution

NAICS	Distribution	2005 Emplymt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 100 employees
4244	Grocery & Related Product Wholesalers					96.7%	93.6%
4245	Farm Product Raw Material Whlslrs					100.0%	100.0%
4248	Beer, Wine,Distilled Alcoholic Bevg. Whlslrs					91.6%	84.5%
42491	Farm Supplies Merchant Wholesalers					Not Available	Not Available
4452	Specialty Food Stores					99.0%	97.7%
49313	Farm Product Warehousing & Storage					Not Available	Not Available
	Distribution Totals					**97.4%**	**94.9%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

CONSTRUCTION

The Construction industry provides 5.8% of the jobs for the Bay Area Region, with 196,100 jobs in 2005. From 2001 to 2005, employment decreased by 1.1%, or almost 2,300 jobs.

Only one of the three sub-sectors reported growth during this period. Construction of Buildings grew by almost 3,700 jobs, or 7%. Specialty Trade Contractors lost the most jobs, down over 5,400 jobs, or 4.3%; Heavy and Civil Engineering Construction also lost jobs, down over 500 jobs, or 2.7%.

Figure 47 Construction Sub-sector Employment 2001-2005

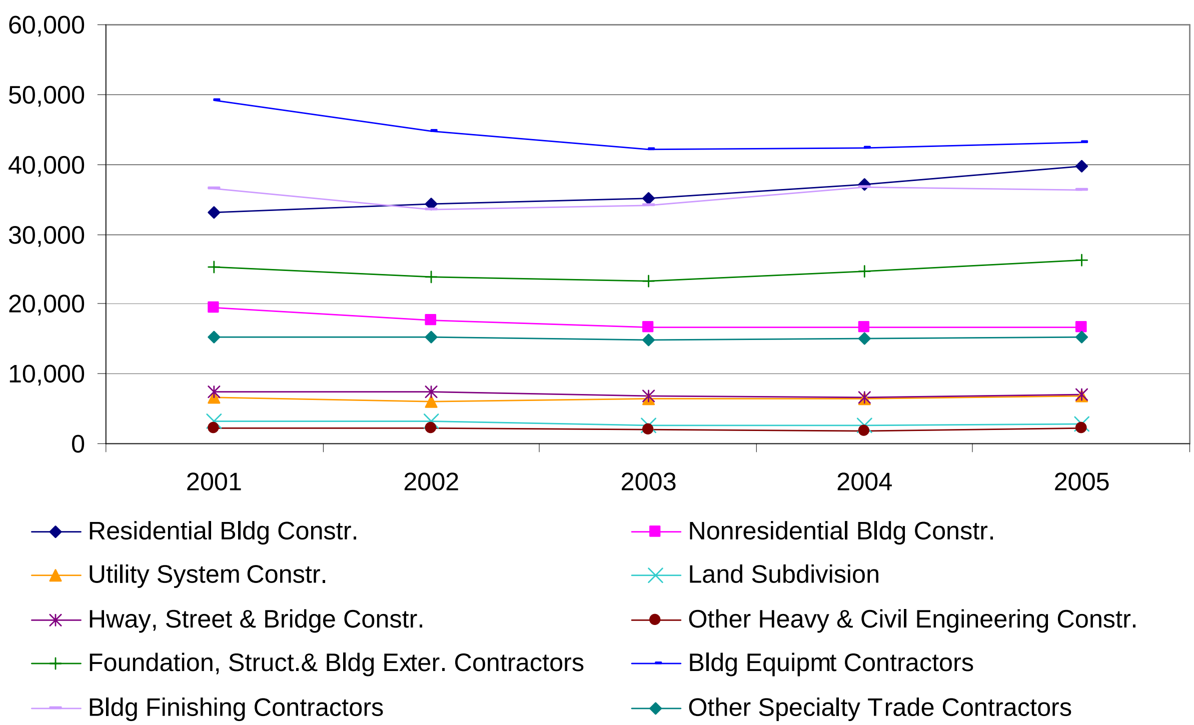
Within Construction of Buildings, Residential Building Construction and Nonresidential Building Construction reported job gains from 2001-2005, up over 6,600 jobs, or 20% (led by New Single-Family Housing Construction), while Nonresidential Building Construction lost over 2,900 jobs, decreasing by 15.1%. Residential Building Construction is the largest industry in the Construction of Buildings sub-sector.

Within Heavy & Civil Engineering Construction, the largest industry group is Highway, Street & Bridge Construction, followed by Utility System Construction. Utility System Construction added the most jobs, up 200 jobs, or 3.1%, from 2001 to 2005. This growth was due to growth in Power & Communication Line & Related Structures Construction jobs. The only other industry within Heavy & Civil Engineering Construction to gain jobs was Other Heavy & Civil Engineering Construction, which grew by less than 100 jobs, or 3.7%. Both Highway, Street & Bridge Construction and Land Subdivision reported job losses during this period, down about 400 jobs each (-5.8% and -11.6%, respectively).

Within Specialty Trade Contractors, the largest industry is Building Equipment Contractors, with almost 43,100 jobs in 2005, even though the industry reported job losses of over 6,100 jobs, or 12.4%, from 2001 to 2005. Building Finishing Contractors is the second largest, with over 36,600 jobs, and also lost jobs during this period, down over 200 jobs, or 0.6%. The only industry to report job growth in this sub-sector was Foundation, Structure & Building Exterior Contractors,

Figure 48 shows employment growth for the Construction industries from 2001 to 2005.

Figure 48 Construction Industries Employment 2001-2005



The Bay Area Region has an equal concentration of Construction jobs as found statewide. Within Construction, the sub-sector with the highest concentration was Construction of Buildings, at 1.2 LQ. Looking more closely at the industry group level (five-digit NAICS code level), and across all sub-sectors, the industries with the highest concentrations were Industrial Building Construction (1.4 LQ) and Roofing Contractors (1.4 LQ). The concentration for each Construction industry is provided in **Figure 49**.

Overall, Construction reported an average annual wage of $52,947 in 2005, which somewhat lower than the region's average annual wage for all private industries of $59,881. Within Construction, at the industry level (five-digit NAICS code level) the Land Subdivision industry reported the highest average wage, at $96,853, while the Siding Contractors industry reported the lowest, at $30,511.

Size of Business

From 2001 to 2005, the percentage of Construction industry businesses with fewer than 100 employees remained very constant, from 98.3% in 2001 to 98.2% in 2005. These businesses provided 67.9% of Construction employment in 2001, and 65.2% in 2005. In contrast, only 1.8% of the businesses in Construction employ 100 or more workers, and these businesses provide 34.8% of Construction jobs.

Figure 49 Distribution of Firms and Jobs in Construction by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	57.7%	7.8%
5-9	18.7%	10.3%
10-19	11.8%	13.2%
20-49	7.4%	18.6%
50-99	2.6%	15.3%
100-249	1.4%	17.2%
250-499	0.3%	9.2%
500+	0.1%	8.4%

Businesses with fewer than 50 employees provided 95.5% of all Construction jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.3% of all of the region's private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided just over 18% of all Construction jobs, compared to 15% of all private industry jobs.

Both the Residential Building Construction and Land Subdivision industries reported the highest percentage of businesses with fewer than 100 employees, at 99.1%. Highway, Street & Bridge Construction reported the lowest percentage, at 89.4%. The percentage of Construction firms with fewer than 100 employees and fewer than 50 employees, by industry, is included in **Figure50.**

Figure 50 provides a summary of economic facts for the Construction industries.

Figure 50 Construction

NAICS	Industry	2005 Emplymt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
2361	Residential Bldg Constr.	39,700	20.0%	1.2	$ 50,057	99.1%	98.1%
2362	Nonresidential Bldg Constr.	16,600	-15.1%	1.1	$ 69,359	97.1%	92.0%
2371	Utility System Constr.	6,700	3.1%	0.9	$ 64,220	93.2%	82.6%
2372	Land Subdivision	2,900	-11.6%	0.8	$ 96,853	99.1%	96.9%
2373	Highway, Street & Bridge Constr.	7,000	-5.8%	1.2	$ 69,979	89.4%	80.7%
2379	Other Heavy & Civil Engineering Constr.	2,200	3.7%	1.0	$ 66,939	94.2%	84.9%
2381	Foundation, Struct., Bldg Exter. Contractors	26,300	3.9%	0.8	$ 41,875	97.4%	94.0%
2382	Bldg Equipmt Contractors	43,100	-12.4%	1.0	$ 58,178	98.1%	95.0%
2383	Bldg Finishing Contractors	36,300	-0.6%	0.9	$ 41,297	98.2%	95.5%
2389	Other Specialty Trade Contractors	15,200	-0.5%	1.0	$ 51,512	98.1%	94.2%

* Employment rounded to nearest 100.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

MANUFACTURING VALUE CHAIN

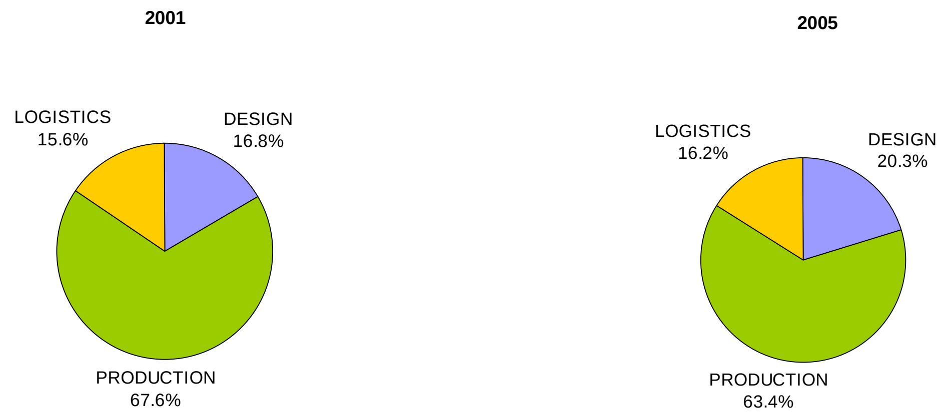
California's manufacturing industry has undergone a transformation. While traditional manufacturing (production) jobs have declined since the 1990's, job growth has occurred in the design and logistics (warehousing and delivery) phases of manufacturing. Improvements in production technology have increased production, as measured in gross domestic product, but have reduced the number of production jobs. At the same time, the "just in time" approach to supply and delivery is lowering warehousing costs and has increased the number and types of jobs in logistics.

The California Regional Economies Project calls this industry cluster the Manufacturing Value Chain. Manufacturing industries are important for innovation, high wages and exports. The design and logistics components of manufacturing are providing more middle and higher-level jobs that pay well and offer career development opportunities. By definition, the Manufacturing Value Chain includes some of the manufacturing industries discussed in the economic base analysis, under High Tech Manufacturing and Diversified Manufacturing, presented earlier in this report. This section of the report takes a look at a broader range of manufacturing activities in the region.

Manufacturing remains an important component of the Bay Area Region's economy. The Manufacturing Value Chain provides almost 15% of the region's job, with over 484,400 jobs in 2005; however, from 2001 to 2005, this cluster lost over 138,200 jobs, down over 22%. All three components reported job losses during this period.

Within the Manufacturing Value Chain cluster, the percentage of jobs made up by each component has changed over time. In 2001, Design represented 16.8% of the jobs within the cluster; as of 2005, Design represents 20.3% of the cluster. During this time, Logistics' share of the jobs in the cluster grew from 15.6% to 16.2%, while Production went from 67.6% in 2001 down to 63.4% in 2005. **Figure 51** illustrates these changes.

Figure 51 Distribution of Jobs within the Manufacturing Value Chain



Overall, the Bay Area Region's concentration of Manufacturing Value Chain cluster jobs is equal to that found statewide. The region has a higher concentration of Design jobs (1.2 LQ) and Production jobs (1.1 LQ), and a lower concentration of jobs in Logistics (0.9 LQ), than at the statewide level. The region has a significantly higher concentration in several industries within the cluster, representing a strong competitive advantage in these areas. These include Computer & Peripheral Equipment Manufacturing (3.2 LQ); Motor Vehicle Manufacturing (3.2 LQ); Industrial Machinery Manufacturing (2.7 LQ); Semiconductor & Other Electronic Component Manufacturing (2.5 LQ); Deep Sea & Coastal Water Transportation (2.3 LQ); Petroleum & Coal Products Manufacturing (2.2 LQ); Rail Transportation (2.2 LQ); Beverage Manufacturing (2.1 LQ); Sugar and Confectionery Product Manufacturing (2.0 LQ); and, Communications Equipment Manufacturing (2.0 LQ).

The Manufacturing Value Chain cluster's average annual wage for the region in 2005 was $82,688, significantly higher than the region's average for all private industry jobs, at $59,881. Within the cluster, the component with the highest average annual wage is Production, with an average of $92,756 in 2005. The average annual wage for Design was $79,544 in 2005, and the average for Logistics was $47,234 in 2005.

Size of Business

From 2001 to 2005, the percentage of Manufacturing Value Chain businesses with fewer than 100 employees increased somewhat, from 95.8% in 2001 to 96.5% in 2005. These businesses provided 40% of Manufacturing Value Chain employment in 2001, and 43.9% in 2005. In contrast, only 3.5% of the businesses in Manufacturing Value Chain employ 100 or more workers, and these businesses provide 56.1% of Manufacturing Value Chain jobs.

Figure 52 Distribution of Firms and Jobs in Manufacturing Value Chain by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment
0-4	52.7%	3.7%
5-9	16.8%	5.1%
10-19	12.8%	7.9%
20-49	10.0%	13.9%
50-99	4.2%	13.2%
100-249	2.4%	16.6%
250-499	0.7%	10.7%
500+	0.5%	28.8%

Businesses with fewer than 50 employees provided 30.7% of all Manufacturing Value Chain jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.3% of all of the region's private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided 8.8% of all Manufacturing Value Chain jobs, compared to 15% of all private industry jobs.

Design reported the highest percentage of businesses fewer than 100 employees, at 99.0%; Production reported the lowest percentage, at 93.4%. The percentage of Manufacturing Value Chain firms with fewer than 100 employees and fewer than 50 employees, by cluster component, is included in **Figure53**.

Figure 53 provides a summary of facts for the Manufacturing Value Chain cluster components.

Figure 53 Manufacturing Value Chain

Component	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
Design	98,500	-5.6%	1.2	$ 79,544	99.0%	97.1%
Production	307,400	-27.0%	1.0	$ 92,756	93.4%	86.5%
Logistics	78,600	-19.3%	0.9	$ 47,282	95.5%	89.9%
Manufacturing Chain Totals	**484,500**	**-22.2%**	**1.0**	**$ 82,701**	**96.5%**	**92.3%**

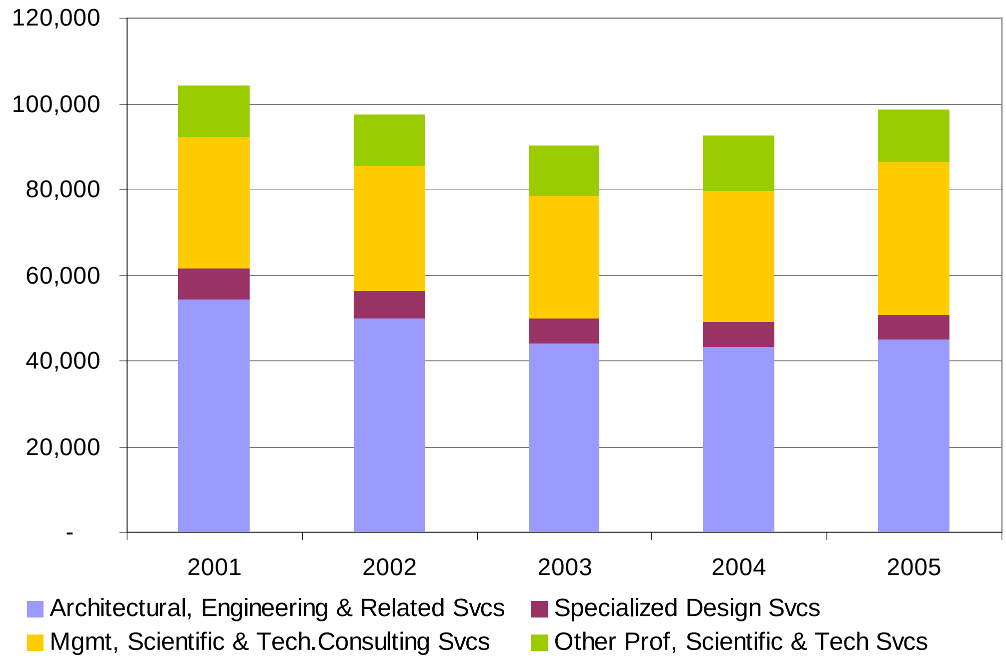
* Employment rounded to nearest 100. Some employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

Design

The Design component of the Manufacturing Value Chain provided over 98,500 jobs for the region in 2005, but lost almost 5,800 jobs, or 5.6%, from 2001 to 2005. During this time, jobs declined from 2001 to 2003, then grew from 2003 to 2005, yet did not quite reach the 2001 levels. **Figure 54** illustrates this change.

Within Design, the Architectural, Engineering & Related Services sub-sector provided the most jobs in 2005, at 45,000 jobs, but reported the highest number of jobs lost from 2001 to 2005, down 9,200 jobs, and reported the second greatest rate of loss, at -17%. Management, Scientific & Technical Consulting Services is the second largest industry in Design, with almost 35,600 jobs in 2005, and reported the only growth, up over 5,000 jobs, or 16.5%.

Figure 54 Design Employment 2001-2005



The Bay Area Region has a higher concentration of Design jobs than found at the statewide level, at 1.2 LQ. **Figure 55** shows the concentration for each Design industry group.

Overall, the average annual wage for the Design industries was $79,544 in 2005; this was up from $70,167 in 2001, an increase of 13.4%. Design jobs have a lower average wage than the Manufacturing Value Chain as a whole, which was $82,701 in 2005, but are significantly higher than the region's average wage for all private industry jobs ($59,881 in 2005). Within Design, the highest average annual wage was reported by Management, Scientific & Technical Consulting Services, at $90,356 in 2005.

Figure 55 provides a summary of economic facts for the Design industries.

Figure 55 Manufacturing Value Chain - Design

NAICS	Industry	2005 Employmt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
5413	Architect.,Engineering & Rel.Svcs	45,003	-17.0%	1.2	$ 82,077	98.3%	95.4%
5414	Specialized Design Svcs	5,840	-21.4%	1.1	$ 71,438	99.7%	98.8%
5416	Mgmt, Sci. & Tech.Consulting Svcs	35,596	16.5%	1.2	$ 90,356	99.1%	97.9%
5419	Other Prof, Scientific & Tech Svcs	12,107	-0.4%	1.0	$ 42,251	99.6%	97.2%
	Design Totals	**98,546**	**-5.6%**	**1.2**	**$ 79,544**	**99.0%**	**97.1%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

Production

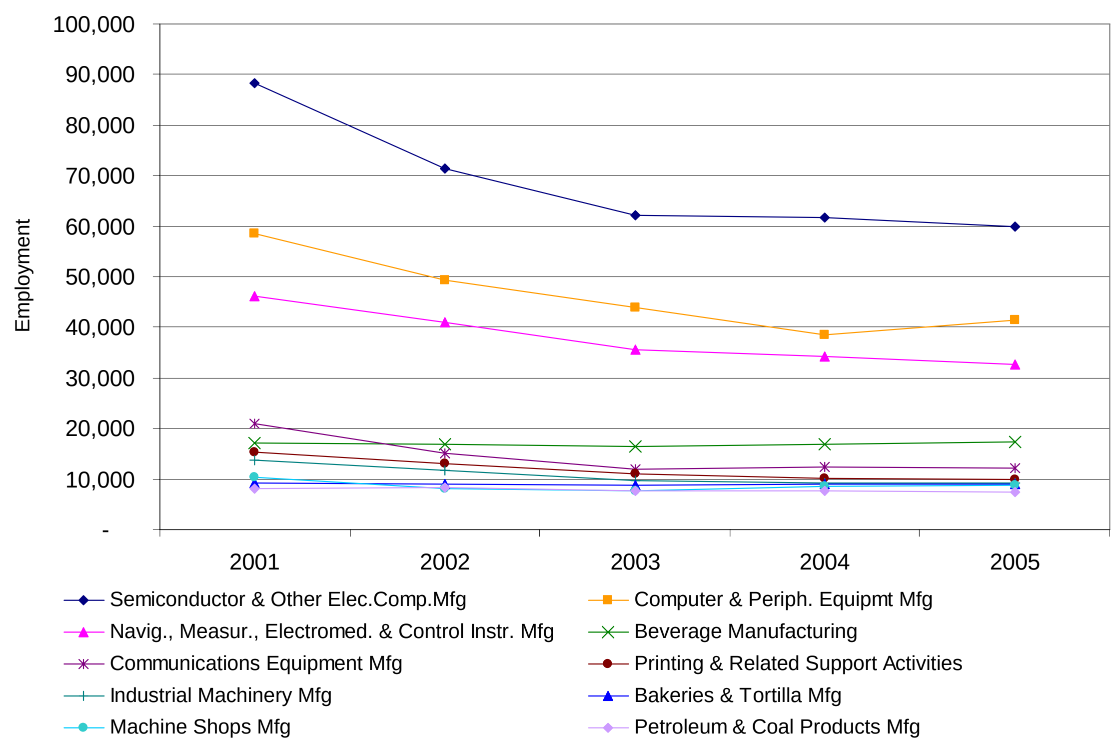
The Production component of the Manufacturing Value Chain provided 63.5% of the cluster's jobs in 2005 and 14.7% of all of the region's jobs, although the sector experienced significant job losses from 2001 to 2005, declining by almost 113,700 jobs (-27%).

Within Production, the largest industry is Semiconductor & Other Electronic Component Manufacturing, with almost 60,000 jobs in 2005; however, this industry reported job losses of 28,300 jobs, or 32%, from 2001 to 2005. The second largest industry is Computer & Peripheral Equipment Manufacturing, with over 41,500 jobs in 2005; this industry reported job losses of 17,100 jobs, down 32% from 2001. These were followed in employment size by Navigational, Measuring, Electromedical & Control Instruments Manufacturing, with over 32,700 jobs, but down 13,500 jobs from 2001 (-29.3%); and, and Beverage Manufacturing, with almost 17,500 jobs. Beverage Manufacturing reported job growth from 2001 to 2005, increasing by almost 400 jobs, or 2.3%.

The fastest growing industry in Production was Animal Slaughtering and Processing, up almost 130%, although very small in employment size, with less than 400 jobs in 2005. Next, Engine, Turbine & Power Transmission Equipment Manufacturing grew by almost 70% (employment is suppressed for this industry). Third, Nonferrous Metal (except Aluminum) Production & Processing grew by 56.4%, from about 500 jobs in 2001 to just over 800 jobs in 2005.

Figure 56 shows the employment change for the ten largest industry groups within Production, from 2001 to 2005. Employment change for all Production industry groups is presented in **Figure 57**.

Figure 56 Production Top Ten Industries Employment 2001-2005



The Bay Area Region has a slightly higher concentration of Production jobs overall (1.1 LQ) than found at the statewide level. Within Production, the region has a strong competitive advantage in a number of industries, including Computer & Peripheral Equipment Manufacturing (3.2 LQ); Motor Vehicle Manufacturing (3.2 LQ); Industrial Machinery Manufacturing (2.7 LQ); Semiconductor & Other Electronic Component Manufacturing (2.5 LQ); Petroleum & Coal Products Manufacturing (2.2 LQ); Beverage Manufacturing (2.1 LQ); Sugar and Confectionery Product Manufacturing (2.0 LQ); and, Communications Equipment Manufacturing (2.0 LQ).

Overall, the average annual wage for the Production industries was $88,011 in 2005, up from $76,747 in 2001 (up 14.7%), and is higher than the region's average wage for all private industry jobs ($59,881 in 2005). Within Production, the highest average annual wage was reported by Computer and Peripheral Equipment Manufacturing, at $149,734 in 2005. This was followed by Industrial Machinery Manufacturing, at $120,885. The lowest average wage was reported by Cut and Sew Apparel Manufacturing, at $24,721, which is significantly lower than the regional average.

Figure 57 provides a summary of economic facts for the Production industries.

Figure 57 Manufacturing Value Chain - Production

NAICS	Industry	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 empl***	Firms with < 50 empl***
3111	Animal Food Mfg	100	-37.2%	0.1	$ 54,961	100.0%	100.0%
3112	Grain & Oilseed Milling	600	8.2%	0.6	$ 48,251	90.0%	75.0%
3113	Sugar & Confectionery Product Mfg	3,600	-6.4%	2.0	$ 46,630	80.4%	72.5%
3114	Fruit & Veg Presrv. & Spec.Food Mfg	5,300	9.0%	0.7	$ 36,356	72.1%	62.3%
3115	Dairy Product Mfg	1,600	-20.5%	0.4	$ 43,338	89.7%	84.6%
3116	Animal Slaughtering & Processing	1,700	-30.8%	0.4	$ 42,042	89.4%	78.7%
3117	Seafood Product Prep & Packaging	300	129.9%	0.5	$ 27,530	85.7%	71.4%
3118	Bakeries & Tortilla Mfg	9,000	-3.5%	1.0	$ 29,919	95.0%	91.9%
3119	Other Food Mfg	2,500	-4.5%	0.5	$ 37,392	96.4%	85.5%
3121	Beverage Mfg	17,500	2.3%	2.1	$ 49,403	90.7%	83.4%
3122	Tobacco Mfg	0	N/A	N/A	N/A	N/A	N/A
3131	Fiber, Yarn & Thread Mills	< 20	-54.5%	0.1	Not Available	100.0%	100.0%
3132	Fabric Mills	300	9.0%	0.3	$ 45,053	92.3%	92.3%
3133	Textile, Fabric Finishing & Coating Mills	300	17.9%	0.1	$ 43,480	100.0%	92.9%
3141	Textile Furnishings Mills	500	-19.2%	0.3	$ 32,806	100.0%	96.8%
3149	Other Textile Product Mills	800	-17.8%	0.5	$ 33,595	98.7%	98.7%
3151	Apparel Knitting Mills	200	-48.3%	0.2	$ 32,432	100.0%	100.0%
3152	Cut & Sew Apparel Mfg	4,300	-45.3%	0.3	$ 24,721	100.0%	94.2%
3159	Apparel Accessories & Other Apparel Mfg	300	-26.6%	0.4	$ 44,174	100.0%	100.0%
3161	Leather & Hide Tanning & Finishing	S	-81.2%	0.5	$ 52,336	100.0%	100.0%
3162	Footwear Mfg	< 50	-3.7%	0.1	$ 42,358	100.0%	100.0%
3169	Other Leather & Allied Product Mfg	300	-39.3%	0.6	$ 27,863	100.0%	100.0%
3211	Sawmills & Wood Preservation	200	-30.1%	0.1	$ 51,898	100.0%	100.0%
3212	Veneer, Plywood & Eng. Wood Prod. Mfg	600	0.8%	0.4	$ 37,586	94.4%	83.3%
3219	Other Wood Product Mfg	2,600	-13.5%	0.5	$ 36,129	98.2%	95.1%

3221	Pulp, Paper & Paperboard Mills	400	-34.0%	0.6	$ 57,998	100.0%	100.0%
3222	Converted Paper Product Mfg	3,500	-25.9%	0.6	$ 48,887	89.4%	75.3%
3231	Printing & Related Support Activities	9,900	-35.1%	0.8	$ 46,374	98.6%	95.5%
3241	Petroleum & Coal Products Mfg	7,300	-10.5%	2.2	$113,712	84.4%	76.6%
3251	Basic Chemical Mfg	1,800	-36.4%	1.4	$ 75,615	92.0%	82.0%
3252	Resin, Synth. Rubber, Artificial Fibers Mfg	800	7.0%	0.8	$ 56,642	91.7%	79.2%
3253	Pesticide, Fertilizer & Other Ag.Chem.Mfg	300	-36.7%	0.4	$ 55,266	100.0%	100.0%
3255	Paint, Coating, & Adhesive Mfg	900	-9.3%	0.6	$ 59,000	90.3%	87.1%
3256	Soap, Cleaning Compd, & Toilet Prep Mfg	1,600	-35.4%	0.6	$103,010	100.0%	86.0%
3259	Other Chemical Product & Prep Mfg	1,300	-9.2%	0.7	$ 66,382	100.0%	100.0%
3261	Plastics Product Mfg	4,600	-37.3%	0.4	$ 47,832	94.2%	86.0%
3262	Rubber Product Mfg	200	-64.9%	0.1	$ 38,473	100.0%	100.0%
3271	Clay Product & Refractory Mfg	800	-24.4%	0.7	$ 42,010	100.0%	93.2%
3272	Glass & Glass Product Mfg	2,100	-11.2%	1.0	$ 50,687	94.0%	90.4%
3273	Cement & Concrete Product Mfg	5,200	7.0%	1.0	$ 51,744	94.0%	82.7%
3274	Lime & Gypsum Product Mfg	500	4.5%	1.1	$ 50,853	100.0%	64.3%
3279	Other Nonmetallic Mineral Product Mfg	1,400	3.3%	0.9	$ 45,232	91.1%	89.3%
3311	Iron & Steel Mills & Ferroalloy Mfg	200	6.4%	0.2	$ 58,028	100.0%	100.0%
3312	Steel Product Mfg from Purchased Steel	1,000	-22.6%	1.5	$ 73,041	100.0%	100.0%
3313	Alumina & Aluminum Production & Proc.	1,600	-22.2%	1.1	$ 61,179	100.0%	100.0%
3314	Nonferrous Metal Production & Proc.	800	56.4%	1.1	$ 44,781	82.4%	64.7%
3315	Foundries	1,800	-13.4%	0.9	$ 46,984	90.9%	79.5%
3321	Forging & Stamping	1,500	-35.3%	0.7	$ 61,445	100.0%	92.1%
3322	Cutlery & Handtool Mfg	500	-37.9%	0.6	$ 50,973	100.0%	100.0%
3323	Architectural & Structural Metals Mfg	6,200	-16.5%	0.8	$ 48,194	96.6%	90.0%
3324	Boiler, Tank, & Shipping Container Mfg	700	-23.8%	0.5	$ 59,948	100.0%	100.0%
3325	Hardware Mfg	500	-31.3%	0.5	$ 57,267	100.0%	100.0%
3326	Spring & Wire Product Mfg	600	-40.0%	0.8	$ 42,117	100.0%	100.0%
3327	Machine Shops Mfg	8,700	-15.4%	1.0	$ 49,435	99.0%	96.0%
3328	Coating, Engraving, Heat Treating Activ.	2,700	-34.0%	0.7	$ 39,393	100.0%	94.4%
3329	Other Fabricated Metal Product Mfg	1,000	-55.2%	0.3	$ 50,379	100.0%	100.0%
3331	Ag, Construction, & Mining Machinery Mfg	100	-80.0%	0.1	$ 54,176	100.0%	100.0%
3332	Industrial Machinery Mfg	9,300	-32.5%	2.7	$120,885	90.8%	78.9%
3333	Commercial & Svc Ind. Machinery Mfg	5,100	-43.0%	1.5	$ 89,396	91.4%	80.6%
3334	Ventil., Heatg, Air-Cond & Refrig. Mfg	700	-7.4%	0.6	$ 71,362	100.0%	100.0%
3335	Metalworking Machinery Mfg	1,800	-9.8%	0.6	$ 52,141	100.0%	100.0%
3336	Engine, Turbine & Transmissn Eqpmt Mfg	S	69.8%	0.9	$ 83,709	100.0%	100.0%
3339	Other General Purpose Machinery Mfg	3,000	-40.6%	0.7	$ 68,763	94.6%	89.2%
3341	Computer & Peripheral Equipment Mfg	41,500	-29.2%	3.2	$149,734	79.3%	70.0%
3342	Communications Equipment Mfg	12,100	-42.0%	2.0	$117,750	83.5%	67.1%
3343	Audio & Video Equipment Mfg	900	-32.2%	0.5	$ 75,217	100.0%	79.4%
3344	Semiconductor & Other Elec Comp Mfg	60,000	-32.1%	2.5	$113,159	84.2%	70.9%
3345	Navigational, & Electr. Instruments Mfg	32,700	-29.3%	1.4	$101,875	86.1%	76.5%

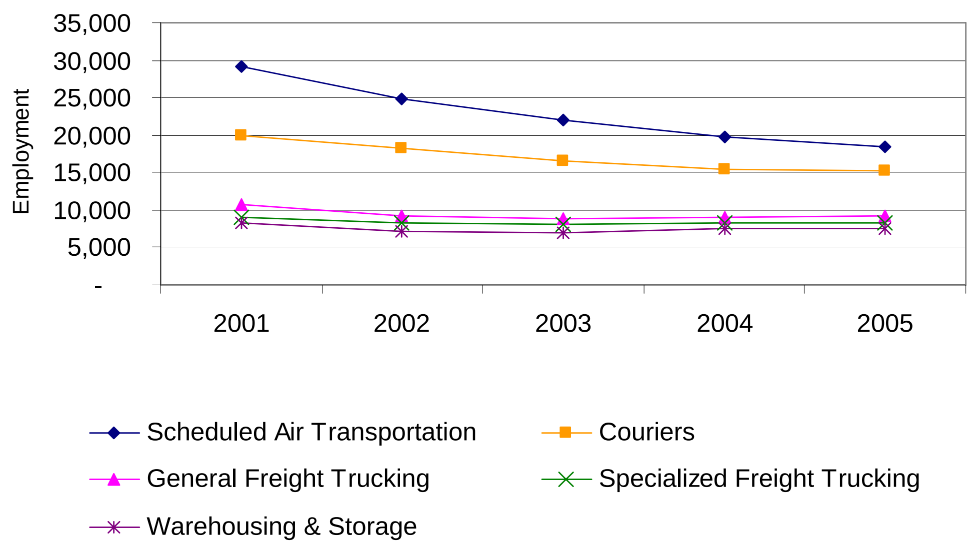
3346	Mfg & Reprod. Magnetic, Optical Media	3,800	-45.7%	2.0	$104,256	100.0%	94.5%
3351	Electric Lighting Equipment M Mfg	800	-29.5%	0.4	$ 59,743	100.0%	90.0%
3352	Household Appliance Mfg	< 50	-75.1%	0.1	$ 44,228	100.0%	100.0%
3353	Electrical Equipment Mfg	1,300	-28.7%	0.7	$ 62,226	100.0%	91.3%
3359	Other Elec. Equipmt & Component Mfg	2,900	-41.4%	1.0	$ 62,209	100.0%	89.9%
3361	Motor Vehicle Mfg	S	26.3%	3.2	$ 76,109	100.0%	100.0%
3362	Motor Vehicle Body & Trailer Mfg	100	-84.4%	0.1	$ 37,214	100.0%	100.0%
3363	Motor Vehicle Parts Mfg	1,100	2.7%	0.2	$ 41,293	93.8%	90.6%
3364	Aerospace Product & Parts Mfg	S	6.2%	0.6	$ 98,416	100.0%	87.9%
3371	Househld, Instit. Furn & Kit. Cabinet Mfg	4,800	-0.6%	0.5	$ 40,510	98.1%	95.6%
3372	Office Furniture (including Fixtures) Mfg	1,800	-21.3%	0.6	$ 46,135	86.0%	90.1%
3379	Other Furniture Related Product Mfg	600	-20.6%	0.4	$ 37,173	100.0%	100.0%
	Production Totals, Non-suppressed******	**307,400**	**-27.0%**	**1.1**	**$ 88,011**	**93.4%**	**86.5%**

* Employment rounded to nearest 100. Numbers may not add due to rounding. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.
*** Some data was suppressed due to confidentiality.
**** Calculations made using this total may not match those in this report, as the report's findings are based on all data, including confidential data.

Logistics

The Logistics component of the Manufacturing Value Chain provided 16.2% of the cluster's jobs in 2005, at almost 78,500 jobs; however, Logistics lost over 18,700 jobs from 2001 to 2005, down 19.3%. Within Logistics, the largest industry is Scheduled Air Transportation, providing 18,400 jobs in 2005, although down almost 10,800 jobs from 2001, or -36.9%. The second largest industry is Couriers, with almost 15,200 jobs in 2005, although down 4,700 jobs from 2001, or -23.6%. **Figure 58** shows the employment change for the five largest industries within Logistics, from 2001 to 2005.

Figure 58 Logistics Top Five Industries Employment 2001-2005



The Bay Area Region has a slightly lower concentration of Logistics jobs overall (0.9 LQ) than found at the statewide level; however, some industries within Logistics have higher concentrations, including Deep Sea, Coastal Water Transportation (2.3 LQ), Rail Transportation (2.2 LQ), Scheduled Air Transportation (1.9 LQ), Couriers (1.2 LQ), Support Activities for Air Transportation (1.1 LQ), and Nonscheduled Air Transportation (1.1 LQ).

Overall, the average annual wage for the Logistics industries was $47,234 in 2005; this was up from $43,631 in 2001, an increase of 8.3%. Deep Sea, Coastal Water Transportation reported the highest average wage, at $98,840, while Postal Service reported the lowest, at $17,565.

Figure 59 provides a summary of economic facts for the Logistics industries.

Figure 59 Manufacturing Value Chain - Logistics

NAICS	Industry	2005 Emplymt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 empl***	Firms with < 50 empl***
4811	Scheduled Air Transportation	18,400	-36.9%	1.9	$ 56,298	81.3%	68.8%
4812	Nonscheduled Air Transportation	1,000	-25.4%	1.1	$ 61,854	100.0%	100.0%
4821	Rail Transportation	S	S	2.2	$ 23,137	S	S
4831	Deep Sea, Coastal Water Transp.	1,800	46.3%	2.3	$ 98,840	100.0%	100.0%
4832	Inland Water Transportation	100	-4.7%	0.9	$ 48,573	S	S
4841	General Freight Trucking	9,200	-14.8%	0.6	$ 42,760	97.3%	90.7%
4842	Specialized Freight Trucking	8,200	-9.3%	0.9	$ 37,674	98.1%	96.0%
4861	Pipeline Transportation of Crude Oil	S	-20.0%	0.2	$ 81,508	S	S
4862	Pipeline Transp. of Natural Gas	S	600.0%	0.1	$ 72,389	S	S
4869	Other Pipeline Transportation	100	-36.2%	0.6	$ 73,439	100.0%	100.0%
4881	Support Activities for Air Transp.	4,200	67.7%	1.1	$ 27,513	87.2%	79.8%
4882	Support Activities for Rail Transp.	100	85.5%	0.8	$ 38,932	S	S
4883	Support Activities for Water Transp.	2,500	-18.7%	0.6	$ 89,779	93.8%	87.7%
4884	Support Activities for Road Transp.	2,900	17.6%	1.0	$ 29,524	98.8%	97.6%
4885	Freight Transportation Arrangement	5,300	3.2%	0.9	$ 59,466	98.6%	91.1%
4889	Other Support Activities for Transp.	600	-46.2%	0.7	$ 40,221	100.0%	100.0%
4911	Postal Service	100	722.2%	0.5	$ 17,565	100.0%	100.0%
4921	Couriers	15,200	-23.6%	1.2	$ 40,538	84.4%	69.7%
4922	Local Messengers & Local Delivery	1,200	-56.9%	0.6	$ 25,962	100.0%	100.0%
4931	Warehousing & Storage	7,600	-9.1%	0.5	$ 39,966	94.1%	87.2%
	Logistics Totals, Non-supressed**	78,500	-19.2%	0.9	$ 47,234	**95.5%**	**89.9%**

* Employment rounded to nearest 100. Numbers may not add due to rounding. "S" means employment was suppressed due to confidentiality.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.
*** Some data was suppressed due to confidentiality. "S" means suppressed due to confidentiality.
**** Calculations made using this total may not match those in this report, as the report's findings are based on all data, including confidential data.

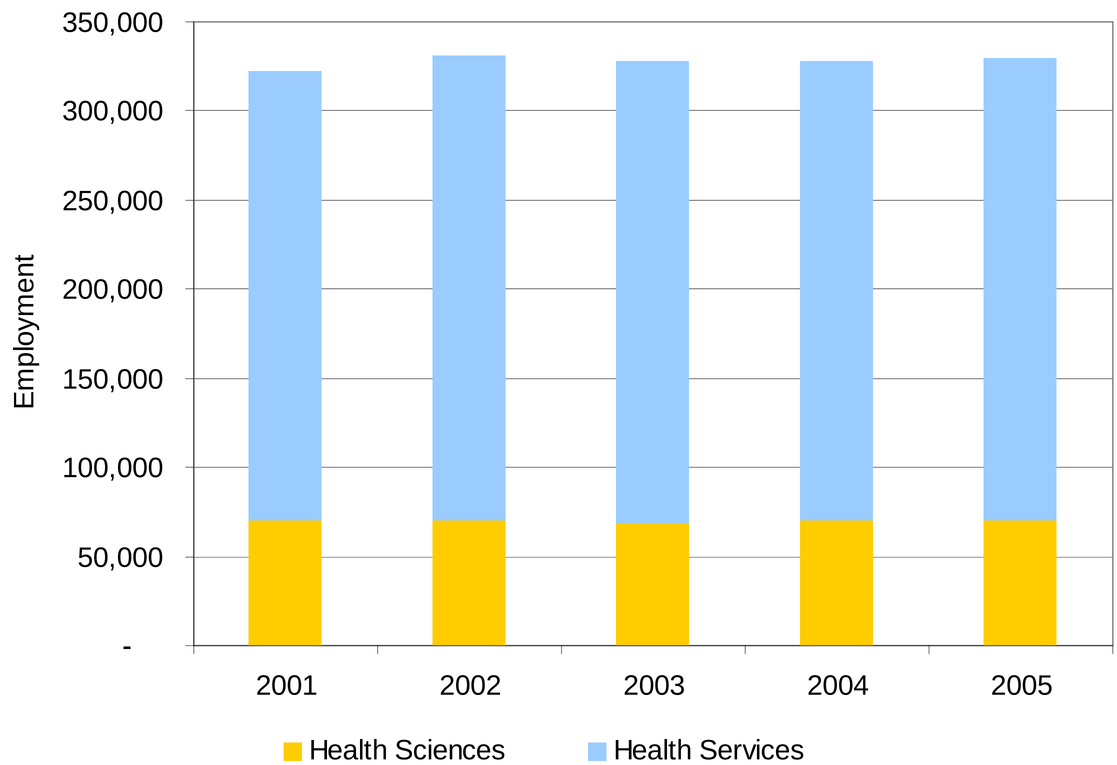
HEALTH SCIENCES & SERVICES

The Health Sciences and Services cluster integrates two critical components of the health industry: Health sciences include activities focused on the development of a body of knowledge through scientific research in medicine, pharmacology, biology, drug discovery, genomics, and many other areas. Health services focus on the delivery of health care to patients; employment in this sector is comprised of medical and support staff in many settings, including hospitals, clinics, care facilities, at home, and on-line.

The Health Sciences & Services cluster includes health care services, such as offices of physicians, dentists, other health practitioners and other outpatient care facilities; hospitals; laboratories; home health care; nursing care and other residential care facilities. It also includes community, emergency and other relief services; vocational rehabilitation services; and, death care services. Within health sciences, the cluster includes pharmaceutical and medicine manufacturing; medical equipment and supplies manufacturing; and, scientific research and development (R&D) services.

In 2005, the Health Sciences & Services cluster provided almost 329,700 jobs, or 9.8% of all jobs in the region, and experienced overall growth of over 7,100 jobs, or 2.2%, from 2001 to 2005. The Health Services component of this cluster reported 259,300 jobs in 2005, and the Health Sciences component reported over 70,300 jobs.

Figure 60 Health Sciences & Services Employment 2001-2005



Size of Business

From 2001 to 2005, the percentage of Health Sciences & Services businesses with fewer than 100 employees remained fairly constant at 97.1% in 2001 and 97.4% in 2005. These businesses provided 41.9% of Health Sciences & Services employment in 2001, and 42.3% in 2005. In contrast, only 2.6% of the businesses in Health Sciences & Services employ 100 or more workers, and these businesses provide 57.7% of Health Sciences & Services jobs.

Figure 61 Distribution of Firms and Jobs in Health Sciences & Services by Size of Business in 2005

Size Category (# employees)	% of Firms	% of Employment*
0-4	52.7%	5.5%
5-9	23.9%	8.3%
10-19	11.8%	8.3%
20-49	6.2%	9.9%
50-99	2.7%	10.3%
100-249	1.7%	13.4%
250-499	0.4%	7.2%
500+	0.6%	37.2%

* Percentages do not add to 100% due to rounding.

Businesses with fewer than 50 employees provided 31.9% of all Health Sciences & Services jobs in 2005; in comparison, businesses with fewer than 50 employees provided 43.3% of all of the region's private industry jobs. Looking at the smallest firms, those with fewer than 10 employees provided 13.8% of all Health Sciences & Services jobs, and 15% of all private industry jobs.

Health Sciences reported 92.4% of its firms as having fewer than 100 employees in 2005, while Health Services reported 98%. The percentage of Health Sciences & Services firms with fewer than 100 employees and fewer than 50 employees, by cluster component, is included in **Figure 62**.

Figure 62 provides a summary of facts for the Health Sciences & Services cluster components.

Figure 62 Health Sciences & Services

Component	2005 Empl*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
Health Sciences	70,300	0.3%	1.7	$ 116,956	92.4%	86.3%
Health Services	259,300	2.7%	1.0	$ 52,980	98.0%	95.6%
Health Sciences & Svcs Totals	**329,700**	**2.2%**	**1.1**	**$ 66,627**	**97.4%**	**94.7%**

* Employment rounded to nearest 100. Total employment may not equal sum of components due to rounding.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

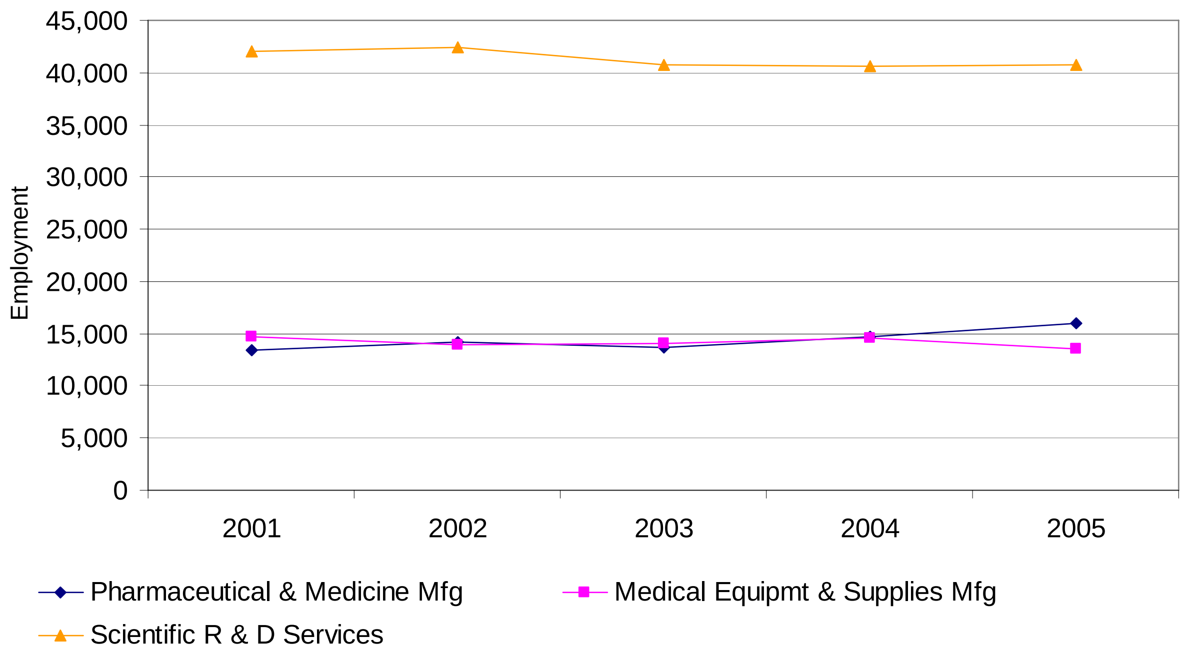
Health Sciences

Health Sciences is the smaller of the two components in the region's Health Sciences & Services cluster, reporting over 70,300 jobs in 2005. Health Sciences experienced slight job growth of 0.3% from 2001 to 2005.

The largest industry group by far within Health Sciences is Scientific Research & Development Services, with over 40,700 jobs in 2005; however, this industry lost almost 1,300 jobs from 2001 to 2005 (-3.1%). Second largest with 16,000 jobs, Pharmaceutical & Medicine Manufacturing was the only industry group in Health Sciences to report growth during this period, up 2,600 jobs or 19.5%.

Figure 63 shows employment change for the Health Sciences industry groups from 2001 to 2005.

Figure 63 Health Sciences Industries Employment 2001-2005



The region has a higher concentration of Health Sciences jobs than found at the statewide level (1.7 LQ), and has a competitive advantage in this area. Within Health Sciences, Scientific Research & Development Services has the highest concentration, at 1.9 LQ, followed by Pharmaceutical & Medicine Manufacturing (1.7 LQ).

The average annual wage for Health Sciences was $116,956 in 2005, up $33,168 or almost 40% since 2001. The Health Sciences average annual wage is almost twice as much as the regional average for all private industry of $59,881.

Figure 64 provides a summary of economic facts for the Health Sciences industries.

Figure 64 Health Sciences & Services Cluster - Health Sciences

NAICS	Industry	2005 Employmt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 employees	Firms with < 50 employees
3254	Pharmaceutical & Medicine Mfg	16,000	19.5%	1.7	$ 165,600	81.1%	69.4%
3391	Medical Equipment & Supplies Mfg	13,600	-7.4%	1.3	$ 84,556	93.9%	91.2%
5417	Scientific R & D Svcs	40,700	-3.1%	1.9	$ 108,609	92.8%	85.8%
	Health Sciences Totals	70,300	0.3%	1.7	$ 116,956	**92.4%**	**86.3%**

* Employment rounded to nearest 100.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.

Health Services

Health Services is the largest component of the Health Sciences & Services cluster. Health Services reported over 259,300 jobs in 2005; this represented growth of almost 6,900 jobs, or 2.7% since 2001. This growth took place during a time when the region experienced overall job losses, following the 2001 recession.

Within the cluster, the General Medical & Surgical Hospitals industry provides the most jobs, with over 95,400 jobs in 2005. This industry experienced an increase of about 18,500 jobs, or just over 24%, from 2001 to 2005, which was the largest number of jobs gained by a Health Services industry group during this period. Second, Offices of Physicians reported over 35,300 jobs in 2005, but experienced job losses of over 16,400 jobs, down 31.7% during the period; this was the greatest number and percentage of jobs lost by an industry group during the period. The fastest growth was reported by Outpatient Care Centers, up almost 66% from 2001.

Figure 65 shows the employment change from 2001 to 2005 for the five largest Heath Services industries. **Figure 66** shows employment change for the remaining industries. Two charts were used in an effort to make the charts easier to read.

Figure 65 Health Services Top Five Industries Employment 2001-2005

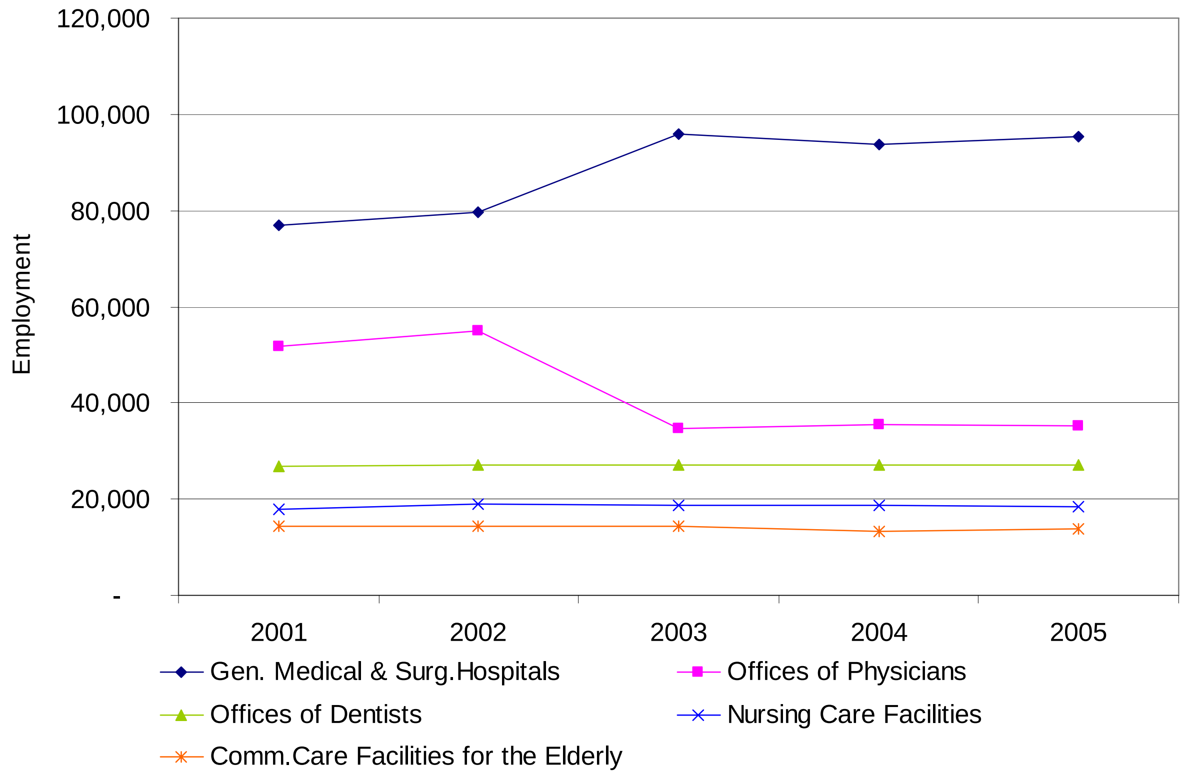
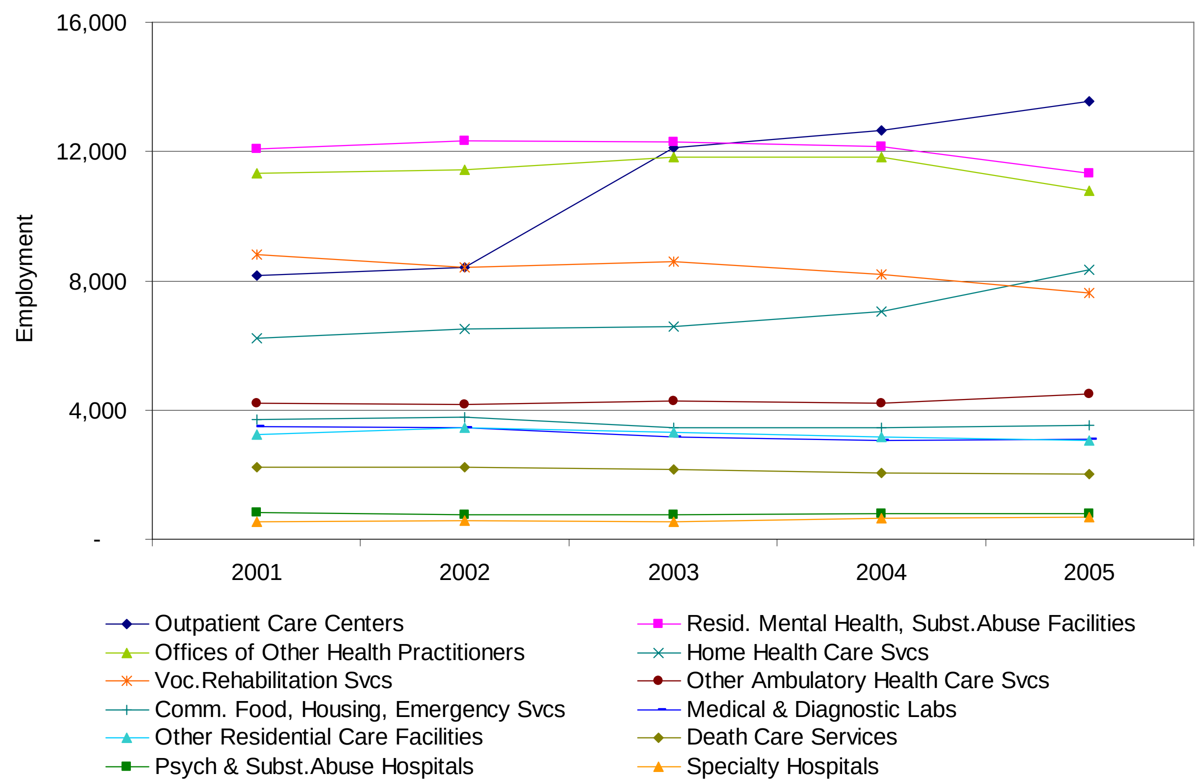


Figure 66 Health Services Remaining Industries Employment 2001-2005



The region has an equal concentration of Health Services jobs, compared to the statewide level. Industries with a slightly higher concentration include Outpatient Care Centers (1.3 LQ); General Medical & Surgical Hospitals (1.2 LQ); Community Care Facilities for the Elderly (1.2 LQ); Offices of Dentists (1.1 LQ); Residential Mental Health & Substance Abuse Facilities (1.1 LQ); and, Community Food, Housing, Emergency & Other Relief Services (1.1 LQ).

The average annual wage for Health Services was $52,980 in 2005, up $10,689 or 25.3% since 2001. Within Health Services, the Offices of Physicians industry reported the highest average wage of $70,673, while the Vocational Rehabilitation Services industry reported the lowest average wage of $21,617.

Figure 67 provides a summary of economic facts for the Health Services industries.

Figure 67 Health Sciences & Services Cluster - Health Services

NAICS	Industry	2005 Employmt*	Growth 01-05	2005 LQ**	2005 Avg. Annual Wages	Firms with < 100 Empl***	Firms with < 50 Empl***
6211	Offices of Physicians	35,300	-31.7%	0.7	$ 70,673	99.5%	98.4%
6212	Offices of Dentists	37,100	1.4%	1.1	$ 42,103	100.0%	100.0%
6213	Offices of Other Health Practitioners	10,800	-4.6%	0.9	$ 32,342	99.8%	99.7%
6214	Outpatient Care Centers	13,600	65.9%	1.3	$ 53,658	92.2%	82.9%
6215	Medical & Diagnostic Labs	3,100	-11.1%	0.6	$ 52,509	98.3%	96.9%
6216	Home Health Care Services	8,300	33.9%	0.8	$ 34,258	93.6%	78.6%
6219	Other Ambulatory Health Care Svcs	4,500	7.0%	1.0	$ 45,082	84.2%	68.4%
6221	Gen. Medical & Surgical Hospitals	95,400	24.1%	1.2	$ 69,401	42.4%	38.9%
6222	Psych. & Subst. Abuse Hospitals	800	-5.1%	0.5	$ 45,553	80.0%	73.3%
6223	Specialty Hospitals	700	25.6%	0.4	$ 45,037	100.0%	100.0%
6231	Nursing Care Facilities	18,300	2.2%	0.8	$ 30,619	73.6%	36.6%
6232	Residential Mental Health & Substance Abuse Facilities	11,300	-6.2%	1.1	$ 27,839	97.2%	92.8%
6233	Community Care Facilities for Elderly	13,900	-2.9%	1.2	$ 26,303	95.9%	88.9%
6239	Other Residential Care Facilities	3,000	-6.2%	0.7	$ 28,745	96.7%	93.4%
6242	Community Food, Housing, Emergency & Other Relief Svcs	3,500	-5.2%	1.1	$ 30,379	98.8%	94.2%
6243	Vocational Rehabilitation Services	7,600	-13.6%	1.0	$ 21,617	94.4%	88.0%
8122	Death Care Services	2,000	-10.2%	0.9	$ 41,318	100.0%	98.1%
	Health Services Totals	259,300	2.7%	1.0	$ 52,980	**98.0%**	**95.6%**

* Employment rounded to nearest 100. Numbers may not add due to rounding.
** LQ (Location Quotient) represents the concentration – the percentage of the region's jobs found in an industry compared to percentage of statewide jobs found in that industry.
*** Some data was suppressed due to confidentiality. "S" means suppressed due to confidentiality.

ALL GOVERNMENT

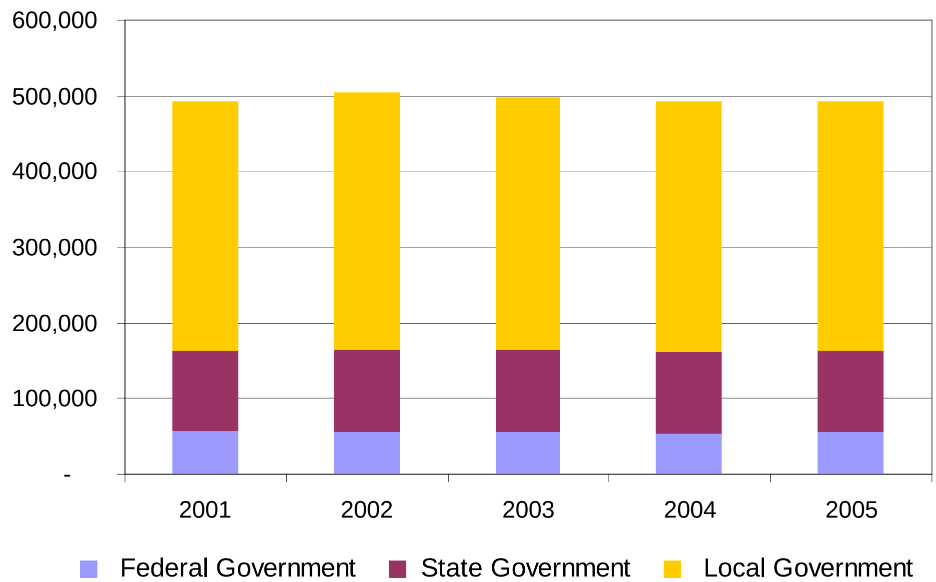
All Government includes federal, state and local government jobs. Jobs in public education are reported in the state and local government sectors. Government jobs also include defense (reported at the federal level), law enforcement, firefighting and public services.

All Government continues to provide the greatest number of jobs for the Bay Area Region, with 492,400 jobs for the region in 2005, or 14.6% of all jobs. From 2001 to 2005, All Government reported no net change in employment; however, employment fluctuated during this time, increasing from 2001 to 2002, then decreasing in 2003 and 2004, and finally returning to the 2001 level in 2005.

Local Government is the largest public sector, with 330,700 jobs in 2005; in contrast, State Government reported 107,600 jobs in 2005, and Federal Government reported 53,700 jobs.

During this period, State Government (including education) added 700 jobs, up 0.7%; Local Government (including education) added just 100 jobs, up 0.03%; and Federal Government experienced job losses of 1,000 jobs, down 1.8%. **Figure 68** shows employment change for the federal, state and local public sectors.

Figure 68 All Government Employment 2001-2005



All Government average annual wages include the wages for a broad spectrum of jobs, including elected officials and executive branch, judicial, defense, law enforcement, firefighting, education and other public administration jobs. The sector's average annual wage for the region in 2005 was $55,446. Within All Government, the average annual wage for Federal Government was $63,985; the average for State Government was $57,520; and, the average annual wage for Local Government was $52,529.

The region has a slightly lower concentration of All Government jobs (0.9 LQ) compared to the statewide level.

Figure 69 shows employment for each level of government from 2001-2005.

Figure 69 All Government

	2001	2002	2003	2004	2005
All Government	**492,400**	**505,700**	**498,300**	**491,700**	**492,400**
Federal Government	**56,800**	**56,000**	**55,900**	**53,700**	**55,800**
Department of Defense	2,200	2,100	1,900	2,000	2,100
Other Federal Government	50,800	50,200	50,400	48,300	50,200
State Government	**105,900**	**109,400**	**109,500**	**107,600**	**106,600**
State Government Education	56,500	58,800	59,300	58,100	56,700
Other State Government	49,400	50,700	50,500	49,400	46,400
Local Government	**329,900**	**340,000**	**332,800**	**330,700**	**330,000**
Local Government Education	163,200	167,900	161,300	161,500	161,100
Other Local Government	154,100	159,600	158,800	156,100	155,600

Source: California Employment Development Department
Some government employment may be suppressed due to confidentiality requirements.

CONCLUSION

The Bay Area Region was the region hardest hit by the 2001 recession. Overall, the region experienced losses in employment of 7.5%. Job losses continued from 2001 through 2004, and then the region experienced gains from 2004 to 2005, as job growth returned.

At the major sector level, Manufacturing, Professional, Scientific & Technical Services, and Information took the hardest hits in job lost from 2001 to 2005. Of these, only the Professional, Scientific & Technical Services sector saw a turnaround in 2005; the other two sectors again reported losses. All of the economic base sectors reported overall job losses during this period, but several of these sectors saw gains in 2005.

As the region continues to recover from the recession, it has many competitive advantages to help insure its future prosperity. The region continues to foster innovation and entrepreneurship and is the birthplace of many innovations, producing new technologies and processes that have had a global impact. The region has high concentrations of high-tech manufacturing and information industries, which provide high wages and good career advancement opportunities for the workforce and give the region an economic advantage.

Challenges for the region include stimulating development of affordable housing, maintaining an adequate goods-and-people-movement infrastructure, and sustaining a workforce that can adapt and learn new skills as businesses create and adopt new technologies and processes.

It will be important for policy-makers to respond to these challenges in ways that allow innovation to thrive, businesses to grow and be globally competitive, and the workforce to compete for good wages and career advancement opportunities as they strive for a better quality of life. The region's future prosperity may depend on how and how well it responds to these challenges.

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